CONSOLIDATED QUARTERLY REPORT
for the First Nine Months of the Fiscal Year 2019
for the Period from January 1 to September 30, 2019

LUDWIG BECK – Sales at last year's level after the first nine months

Munich, October 24, 2019 – The Munich fashion group LUDWIG BECK (ISIN DE 0005199905) recorded gross sales at last year's level for its continued business operations despite the challenging market environment prevailing in the first nine months of 2019.

Economic framework conditions and retail trade development
Even in the absence of robust data, economic researchers agree that the decline of the German economy of spring and summer has continued well into autumn. Due to its export dependency, the German economy had to put up with the flagging world economy. According to the Federal Office for Statistics, the gross domestic product (GDP) went down by 0.1% in the second quarter of 2019 compared to the previous quarter thus unhinging the rather positive expectations from the beginning of the year. The Kiel-based Institute for World Economics (IfW) refers to a "downward pull", but sees the current development as a transition phase after a prolonged economic boom. Even though the general business climate has recovered slightly in September according to the surveys of the ifo Institute, the sentiment in the trade sector has deteriorated once again. The consumer mood also showed a mixed picture recently as the analyses of the Association for Consumption research (GfK) indicate.

BASIC PRESENTATION OF FIGURES IN THE INTERIM REPORT
All sums and figures in the text and the charts were calculated precisely and then rounded to €m. Percentages given in the text and the charts were derived from precise (not rounded) values.

With effect as of April 30, 2019, the Group sold its shares in the WORMLAND business segment ("discontinued business operations"). The following report basically deals with the continued business operations. Regarding WORMLAND, the interim report of June 30, 2019 is hereby referred to.

Effects of the IFRS 16 "Leases" standard on the earnings, asset and financial situation

LUDWIG BECK has been applying the IFRS 16 "Leases" standard since January 1, 2019 for the first time. LUDWIG BECK opted for the application of a modified retrospective approach during the transition period. Accordingly, no adjustments to comparative information had to be performed. In the context of the initial application of IFRS 16, usage rights and leasing liabilities were carried at equal amounts. LUDWIG BECK generally concludes leasing contracts in the form of operating leases. The application of IFRS 16 influences the nature of expenses for operating leases, as the amortization of usage rights and the non-linear interest costs of liabilities take the place of previous expenses.

The effects of the IFRS 16 application on the key figures of the group as well as the balance sheet structure relating to continued operations of LUDWIG BECK are presented in the following chart:

Effects of the IFRS 16 “Leases“ standard on the earnings, asset and financial situation

in €m	Before IFRS 16 1/1/2019 9/30/19	Effects of IFRS 16 1/1/2019 9/30/2019	including IFRS 16 1/1/2019 9/30/2019
EARNINGS			
Earnings before interest, taxes and depreciation (EBITDA)	2.6	3.1	5.7
Earnings before interest and taxes (EBIT)	0.5	0.6	1.1
Earnings before taxes (EBT)	-0.3	-0.4	-0.6
Earnings after taxes from continued operations	0.2	-0.4	-0.2
BALANCE SHEET			
Long-term assets	96.5	65.6	162.0
Shareholders’ equity	58.7	-0.4	58.4
Long-term liabilities	30.9	65.1	96.0
Short-term liabilities	29.3	0.9	30.2
Balance sheet total	119.0	65.6	184.5
Equity ratio in %	49.4	-17.7	31.6

CONSOLIDATED EARNINGS SITUATION

Development of sales

In the first nine months of the fiscal year, the LUDWIG BECK Group generated gross sales in the amount of € 63.7m thus maintaining last year’s level. Sales in the first nine months of the previous year had amounted to € 63.6m.

Earnings situation

The gross profit at group level amounted to € 25.4m (previous year: € 25.5m). With 47.4%, the gross profit margin decreased slightly below last year’s figure (47.7%).

Personnel expenses came to € 13.2m (previous year: € 13.0m). As a result of the already mentioned application of IFRS 16, amortization significantly increased in the first nine months on account of recognized usage rights, and went up from € 2.0m to € 4.6m. On the other hand, other operational expenses dropped considerably from € 10.5m to € 9.0m which was due to the respective accounting treatment leading to lapsed rental expenses in the amount of € 3.0m. As counteracting factors, the non-recurring consultation fee in connection with the sale of the WORMLAND shares had an effect of € 0.5m, while other restructuring cost accounted for € 1.0m.

Accordingly, earnings before interest and taxes (EBIT) (EBIT) amounted to € 1.1m (previous year: € 2.3m).

With € -1.8m, the financial result clearly dropped below last year’s level of € -0.5m. The accounting treatment of rental rights, stated at net value, led to interest costs of € -1.1m.

Earnings before taxes (EBT) came to € -0.6m (previous year: € 1.7m). This was basically due to the aforementioned non-recurring expenditure of € 1.5m and the € -0.4m effect of the IFRS 16 application.

Earnings after taxes from continued business operations amounted to € -0.2m (previous year: € 1.4m).

ASSET SITUATION

Balance sheet structure

The figures relating to September 30, 2019 and those relating to December 31, 2018 cannot be compared directly because the balance sheet structure has been changed completely as a result of mandatory IFRS 16 application. The deconsolidation of the WORMLAND subgroup had an additional effect. Hence, the balance sheet total of the LUDWIG BECK amounted to € 184.5m as per September 30, 2019, thus clearly exceeding last year's level (€ 126.5m as per December 31, 2018).

As in the past, the real estate at Marienplatz in Munich has been a major item of tangible fixed assets alongside usage rights of € 65.6m to be recognized. The real estate is carried at more than € 70m. All in all, long-term assets amounted to € 162.0m (previous year: € 100.7m).

Short-term assets went down from € 25.8m (December 31, 2018) to € 22.5m.

FINANCIAL SITUATION

Balance sheet structure

Here also the application of IFRS 16 and the deconsolidation of the discontinued WORMLAND segment lead to a significant distortion when comparing the figures as of September 30, 2019 with the figures as of December 31, 2018.

As per the reporting date September 30, 2019, the equity base of the LUDWIG BECK Group stood at € 58.4m (December 31, 2018: € 75.8m). On account of the clearly extended balance due to the application of IFRS 16, this corresponds to an equity ratio of 31.6% (December 31, 2018: 59.9%).

Liabilities went up from € 50.7m (December 31, 2018) to € 126.2m in aggregate. This rise was basically due to the recognition of lease liabilities in the amount of € 66.0m according to IFRS 16. The derecognition of the liabilities of the WORMLAND subgroup of € 7.7m had a counteracting effect. The additional vendor contribution of € 11.5m as well as seasonal effects of € 5.7m also made a difference.

Cash flow

The cash flow from current business activities came to € 1.7m after the first nine months of the year 2019 (previous year: € -9.5m). The cash flow from investment activities amounted to € -12.5m (previous year: € -1.6m) in the same period. A major influencing factor was the additional payment made in the course of the sale of the WORMLAND segment. The cash flow from financing activities reached € 13.3m (previous year: € 10.6m).

FORECAST REPORT

Economic framework conditions and retail trade development

According to the assessment of the Kiel-based Institute for World Economics (IfW), the capacity utilization of German enterprises currently falls within the long-term average range. Only declining utilization rates would indicate an overall economic recession. Nevertheless, the economic researchers from Kiel expect the economy to regain traction in the year to come. Therefore, they anticipate a GDP growth of only 0.4% in 2019, yet a 1.0% growth in 2020.

The Association for Consumption Research (GfK) identified a recent improvement of the consumer climate, with the propensity to save on a downward trend.

The ifo Institute, however, sees a renewed yielding of the business climate in the trade sector as retailers seem to expect a further deterioration towards the end of the year. According to the Fashionunited portal, the textile retail sector is still experiencing the dynamics of E-commerce offers. According to estimates, 28.5% of fashion deals in Western Europe will be processed online by 2023. This corresponds to a growth rate of 87%. Stationary fashion retailers will have to face this challenge which will lead to a total rearrangement of the section also in the future. This is where prime locations like the site of LUDWIG BECK's Store of the Senses gain more and more importance in an environment of fierce competition.

The LUDWIG BECK Group in 2019

By selling all shares in the WORMLAND segment in April 2019, LUDWIG BECK set the course for a streamlined focusing on its customary core business. By concentrating on the Store of the Senses at Marienplatz in Munich, the company has regained considerable business clout. The online business is set to support the brick-and-mortar business.

“It is our goal to permanently establish LUDWIG BECK in the premier division of European fashion stores. By restructuring our Group, we have created the prerequisites for a profitable, sustained and self-confident course of action in a market under pressure. In this eventful year, we are now looking forward to the coming Christmas business - one of our traditional revenue guarantors“, the Executive Boards stated.

The Executive Board holds to its adjusted forecast in the Quarterly Report I/19 and, in line with the reporting requirements of IFRS 5 and the related adjustment of the consolidated statement of comprehensive income, expects consolidated sales relating to continued business operations to range between € 94m and € 98m and earnings before taxes on income (EBT) to reach € 4m to 5m. The result from discontinued operations will amount to € -17m.

LUDWIG BECK

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KEY FIGURES OF THE GROUP

in €m	1/1/2019 - 9/30/2019	1/1/2018 - 9/30/2018
RESULT		
Gross sales	63.7	63.6
VAT	10.2	10.1
Net sales	53.5	53.4
Gross profit	25.4	25.5
Earnings before interest, taxes and depreciation (EBITDA)	5.7	4.3
Earnings before interest and taxes (EBIT)	1.1	2.3
Earnings before taxes (EBT)	-0.6	1.7
Earnings after taxes from continued business operations	-0.2	1.4
Earnings from discontinued business operations	-17.0	-4.9
Earnings after taxes	-17.2	-3.5
CASH FLOW		
Cash flow from current business activities	1.7	-9.5
Cash flow from investment activities	-12.5	-1.6
Cash flow from financing activities	13.3	10.6
EMPLOYEES		
Employees (average without apprentices)	426	453
Apprentices (average)	45	40
Personnel expenses	13.2	13,0
SHARE		
Number of shares in millions	3.70	3.70
Earnings per share undiluted and diluted (in €)	-4.65	-0.93

	9/30/2019	9/30/2018	12/31/2018
BALANCE SHEET			
Long-term assets	162.0	103.2	100.7
Short-term assets	22.5	32.2	25.8
Shareholders' equity	58.4	73.2	75.8
Long-term liabilities	96.0	33.4	33.2
Short-term liabilities	30.2	28.7	17.5
Balance sheet total	184.5	135.4	126.5
Investments	-12.5	-1.6	-2.5
Equity ratio in %	31.6	54.1	59.9

Investor Relations contact:
esVedra consulting GmbH
Metis Tarta
t: +49 89 206021 – 210
f: +49 89 206021 – 610
mt@esvedragroup.com

Group accounting contact:
LUDWIG BECK AG
Jens Schott
t: +49 89 23691 – 798
f: +49 89 23691 – 600
jens.schott@ludwigbeck.de