CONSOLIDATED QUARTERLY REPORT
for the 3rd Quarter and the 1st Nine Months of the Fiscal Year 2018
for the period from January 1 - September 30, 2018

LUDWIG BECK Group challenged by climatic extremes in the first nine months of 2018

Munich, October 24, 2018 – The Munich Fashion Group LUDWIG BECK (ISIN DE 0005199905) recorded a 5.7% decline in sales in the first nine months of the current fiscal year. After a long and hard winter that had affected the spring business, general consumer reticence made itself felt in the further course of the year as well. In the 2018 fairytale summer many consumers preferred outdoor leisure activities over shopping experiences. The month of September also stood out with midsummer temperatures.

Economic framework conditions and retail trade development
According to preliminary data from the German Institute for Economic Research (DIW), the German economy has continued to display a weakened dynamism. The economic researchers assume that the gross domestic product (GDP) grew by 0.5% in the second quarter, but by only 0.4% in the third quarter, the reasons for this development lying primarily in declining industrial order and production figures and the suspension of automobile deliveries heavily affecting manufacturers. The Institute for World Economics in Kiel (IfW) came to a similar conclusion, yet put emphasis on the still favorable labor market situation and the rise in disposable incomes. This was confirmed by an interim balance drawn by the Association for Consumption Research (GfK). According to their findings, consumer sentiment and consumer climate showed an unwaveringly positive trend in the past months, even in the face of political turbulences. Only the propensity to buy declined slightly. However, all these favorable trends did not reach the stationary fashion trade which once again lost customers to the online sector despite sometimes drastic price reductions. Sector observes already termed this phenomenon „consumer boycott“ in the spring and summer months, yet praised September as one of the better months.

CONSOLIDATED EARNINGS SITUATION

Development of sales
In the first three quarters of the fiscal year, the LUDWIG BECK Group generated gross sales in the amount of € 111.7m (previous year: € 118.5m). The LUDWIG BECK segment contributed a share of € 63.6m to consolidated sales (previous year: € 67.0m), while the WORMLAND segment accounted for € 48.2m (previous year: € 51.4m).

Earnings situation

After the first nine months of the fiscal year 2018, the gross profit amounted to € 44.5m in aggregate (previous year: € 46.8m). While the LUDWIG BECK segment contributed € 25.5m to this result (previous year: € 26.8m), the value of the WORMLAND segment was € 19.0m (previous year: € 20.0m). The development of both segments was basically due to extreme weather conditions affecting sales in the first nine months. The gross profit margin at Group level could be significantly improved and came to 47.4% (previous year: 47.0%).

Expenses were substantially curtailed to € 49.8m and were thus € 1.1m below last year's figure.

Earnings before taxes (EBT) amounted to € -3.1m (previous year: € -1.8m). The LUDWIG BECK segment made a positive contribution of € 1.7m (previous year: € 2.6m), the WORMLAND segment recorded a loss of € -4.9m (previous year: € -4.4m).

ASSET SITUATION

Balance sheet structure

As per September 30, 2018, the balance sheet total of the LUDWIG BECK Group was € 135.4m, thus exceeding last year's value of € 130.5m as per the reporting date December 31, 2017, due to seasonal reasons.

As in the past, tangible fixed assets featuring the real estate at Marienplatz in Munich still formed the largest item of long-term assets. The real estate was carried at more than € 70m. All in all, long-term assets amounted to € 103.2m thus recording a € 1.4m decline in comparison to € 104.6m as per the reporting date December 31, 2017. This was attributable to the fact that investments were below scheduled depreciation.

Short-term assets went up from € 25.9m (December 31, 2017) to € 32.2m. Inventories increased to € 26.8m for seasonal reasons (December 31, 2017: € 20.7m).

Cash and cash equivalents amounted to € 1.2m (December 31, 2017: € 1.6m).

FINANCIAL SITUATION

Balance sheet structure

As per the reporting date September 30, 2018, the equity base of the LUDWIG BECK Group stood at € 73.2m (December 31, 2017: € 79.4m). This corresponds to an equity ratio of 54.1% (December 31, 2017: 60.8%).

Long-term liabilities went up from € 30.7m (December 31, 2017) to € 33.4m. The taking up of a medium-term loan in the aggregate amount of € 5.0m by LUDWIG BECK AG at favorable interest terms had an opposing effect on the scheduled loan repayments by the real estate companies of LUDWIG BECK. The new loan served the purpose of securing favorable interest levels for the LUDWIG BECK Group in the medium term.

Short-term liabilities also increased from € 20.4m (December 31, 2017) to € 28.7m due to seasonal reasons. This development was not only due to the financing of dividends, investments and seasonally increased inventories but also to changes in the operational result. Consequently, the liabilities of the Group amounted to € 62.1m in aggregate as per reporting date September 30, 2018 (December 31, 2017: € 51.1m).

Cash flow

The cash flow from current operating activities came to € -9.5m after the first nine months of the year 2018 (previous year: € -5.3m). The cash flow from investment activities amounted to € -1.6m (previous year: € -1.9m) in the reporting period. The cash flow from financing activities reached € 10.6m (previous year: € 7.0m).

EMPLOYEES

In the first nine months of the fiscal year 2018 the number of employees was 869 (without apprentices) in accordance with Section 267 par. 5 Commercial Code (HGB) (previous year: 862). The weighted number of full-time employees at Group level went down slightly to 560 (previous year: 565). The number of apprentices was 46 (on average) (previous year: 39).

FORECAST REPORT

Economic framework conditions and retail trade development

After five years of benefitting from the continuing upward trend, the German economy has entered the final cyclical stage according to the Institute for World Economics (IfW). The economic researchers in Kiel revised their autumn forecast concerning the expected GDP growth rate slightly downward and now anticipate the increase to amount to only 1.9% for 2018. On account of the large number of working days, the same growth rate of 1.9% is expected for 2019 as well. The current forecast underpins the Institute's analysis of typical indicators such as strained capacity levels and staff shortages which all hint at an end of the economic cycle. On the other hand, the labor market situation is still favorable, and incomes are expected to rise and exports to grow, the only threat being protectionist measures on the world political stage.

The Association for Consumption Research (GfK) still sees Germans in a mood to buy also in the near future, backed up by the excellent labor market development, which allows for sound planning reliability regarding consumer spending. Furthermore, GfK confirms its forecast indicating a 1.5% increase in consumer spending in Germany in 2018. These favorable framework conditions have obviously not radiated out to the fashion market, however.

The LUDWIG BECK Group in 2018

The past nine months of the current fiscal year were unabatedly dominated by profound structural changes of the stationary fashion trade. The management of LUDWIG BECK assumes that this rearrangement of the market will continue and will pose ongoing challenges to the Group. As a fashion trader with a high-quality product range, a sophisticated sales and service culture and an exceptional experiential value featured by the flagship store at Marienplatz in Munich and the WORMLAND branches, the Group has been set up well enough to get through these trade restructurings. As member of the Executive Board, Dieter Münch, puts it: "LUDWIG BECK offers an emotionally nuanced shopping lifestyle that cannot possible be found on the Internet. We will certainly exercise all due caution but can nevertheless look to the future with optimism. Right now, we fully focus on the top-selling quarter of the year".

The management keeps to its goal to generate gross sales exceeding € 170m and to realize an EBIT margin between 3.5% and 5% of net sales in the current fiscal year. Further extreme weather conditions have not been factored in, however.

KEY FIGURES OF THE GROUP

in €m	1/1/2018 – 9/30/2018	1/1/2017– 9/30/2017	1/1/2017 – 12/31/2017
RESULT			
Gross sales	111.7	118.5	173.2
VAT	17.8	18.9	27.6
Net sales	93.9	99.6	145.6
Gross profit	44.5	46.8	69.6
Earnings before interest, taxes, depreciation & amortization (EBITDA)	0.5	2.2	10.9
Earnings before interest and taxes (EBIT)	-2.5	-1.1	6.5
Earnings before taxes (EBT)	-3.1	-1.8	5.6
Earnings after taxes	-3.5	-2.4	3.3
CASH FLOW			
Cash flow from operating activities	-9.5	-5.3	8.7
Cash flow from investing activities	-1.6	-1.9	-2.5
Cash flow from financing activities	10.6	7.0	-6.2
EMPLOYEES			
Employees (average without apprentices)	869	862	874
Apprentices (average)	46	39	40
Personnel expenses	21.9	22.1	29.3
SHARE			
Number of shares in millions	3.70	3.70	3.70
Earnings per share undiluted and diluted (in €)	-0.93	-0.66	0.88
	9/30/2018	**9/30/2017**	**12/31/2017**
BALANCE SHEET			
Long-term assets	103.2	105.3	104.6
Short-term assets	32.2	31.9	25.9
Equity capital	73.2	73.8	79.4
Long-term liabilities	33.4	30.9	30.7
Short-term liabilities	28.7	32.6	20.4
Balance sheet total	135.4	137.2	130.5
Investments	-1.6	-1.9	-2.5
Equity ratio in %	54.1	53.8	60.8

SEGMENT REPORTING

in €m	LUDWIG BECK	WORMLAND	GROUP
Gross sales *(Previous year)*	63.6 *(67.0)*	48.2 *(51.4)*	111.7 *(118.5)*
Gross profit *(Previous year)*	25.5 *(26.8)*	19.0 *(20.0)*	44.5 *(46.8)*
Earnings before interest, taxes, depreciation & amortization (EBITDA) *(Previous year)*	4.3 (*5.5)*	-3.8 *(-3.3)*	0.5 *(2.2)*
Earnings before interest and taxes (EBIT) *(Previous year)*	2.3 *(3.2)*	-4.8 *(-4.3)*	-2.5 *(-1.1)*
Earnings before taxes (EBT) *(Previous year)*	1.7 (*2.6)*	-4.9 *(-4.4)*	-3.1 *(-1.8)*

About LUDWIG BECK
LUDWIG BECK is one of the top fashion retail companies in Germany. In 2017 with 451 employees it generated gross sales of € 99.0m (as per December 31, 2017) on an area of about 12,400 sqm as well as through its online shop. LUDWIG BECK is located in the heart of Munich, directly at Marienplatz. On seven floors the Munich fashion company showcases international fashion, leather goods and accessories, exclusive cosmetics and with over 120,000 titles Europe’s largest onsite collection of classical, jazz and world music and audiobooks.

About WORMLAND
THEO WORMLAND GmbH & Co. KG, based in Hanover, generated sales in the amount of € 74.2m (as per December 31, 2017) with 417 employees on a total area of about 16,200 sqm in 2017. The group of companies is based on two differing store concepts: WORMLAND and THEO. Today, THEO WORMLAND GmbH & Co. KG ranges among Germany’s top men’s fashion retailers with a total of 15 outlets.

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