LUDWIG BECK

Annual Report 2019

LUDWIG BECK

SEIT 1861

ANNUAL REPORT

2019

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1 To Our *Shareholders*

THERE ARE DEPARTMENT STORES, FASHION HOUSES AND TEMPLES OF CONSUMERISM – AND THEN THERE IS *LUDWIG BECK*. WHETHER FOR OUR CUSTOMERS, EMPLOYEES, INVESTORS AND BUSINESS PARTNERS, WE STRIVE TO BE RECOGNIZED AS MUCH FOR OUR HONESTY, *UNIQUENESS* AND DESIRABILITY AS FOR THE EXCLUSIVE BRANDS WE OFFER.

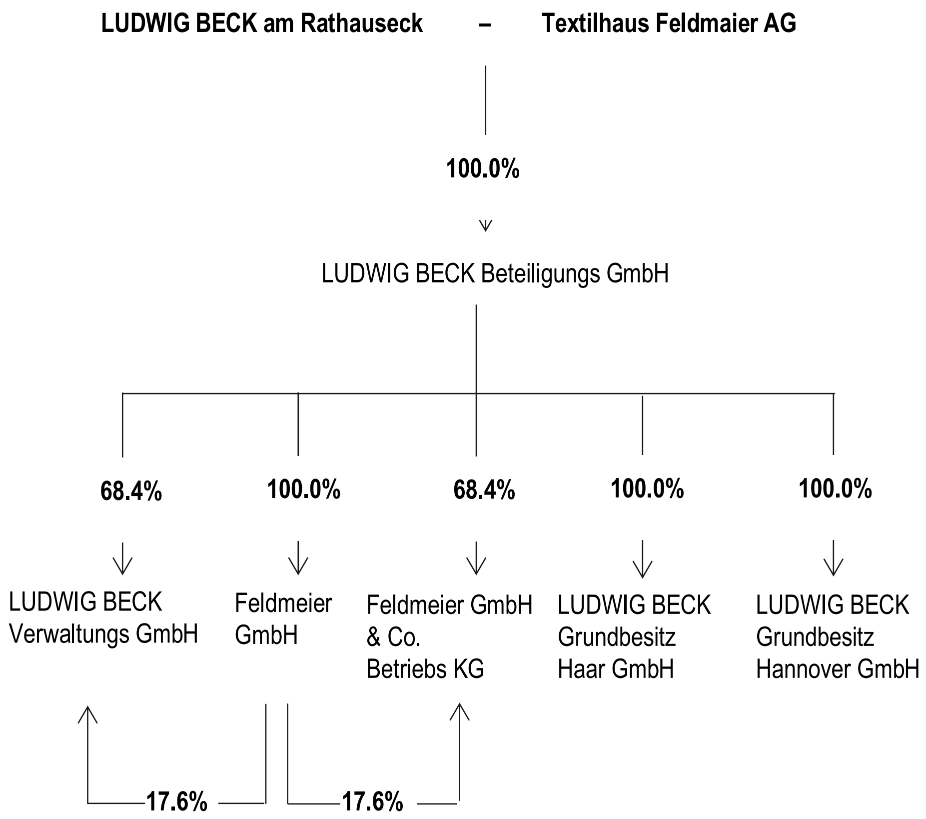
STYLE HAS A NEW HOME.

LUDWIG BECK.

Key Figures of the Group

		2019*)	2018*)	2017	2016	2015
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	95.3	95.5	173.2	177.1	158.6
VAT	€m	15.2	15.2	27.6	28.3	25.3
Sales (Net)	€m	80.1	80.3	145.6	148.9	133.3
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	38.6	38.7	69.6	71.3	64.5
	%	48.2	48.1	47.8	47.9	48.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€m	12.9	10.3	10.9	10.3	22.3
	%	16.1	12.8	7.5	6.9	16.8
Earnings before interest and taxes (EBIT)	€m	7.0	7.6	6.5	6.3	18.3
	%	8.7	9.5	4.4	4.3	13.7
Earnings before taxes (EBT)	€m	4.6	6.9	5.6	5.2	17.3
	%	5.8	8.5	3.8	3.5	12.9
Consolidated net profit	€m	-13.9	-0.8	3.3	2.9	15.2
	%	-17.3	-1.0	2,2	1.9	11.4
Balance sheet						
Equity	€m	61.6	75.8	79.4	79.0	79.4
Equity ratio	%	34.8	59.9	60.8	58.9	60.2
Return on equity before taxes	%	7.5%	9.1%	7.0%	6.6%	21.7%
Investments	€m	1.7	2.5	2.5	5.4	2.2
Balance sheet total	€m	177.2	126.5	130.5	134.0	131.9
Personnel						
Employees	People	442	455	874	892	816
Personnel expenses	€m	17.4	17.4	29.3	30.4	26.4
	%	21.8	21.6	20.2	20.4	19.8
Net sales per employee (weighted, average)	€k	272.4	259.9	253.2	253.2	244.1
Share						
Number of shares	m.	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	-3.68	-0.22	0.88	0.78	4.11
Dividend	€	0.00	0.00	0.65	0.65	0.75
Other details (as of December 31)						
Sales area	sqm	12,400	12,400	28,600	28,600	27,200
Gross sales per square meter	€/sqm	7,685	7,702	6,056	6,193	5,832

Group Structure



LUDWIG BECK Executive Board

CHRISTIAN GREINER

CHAIRMAN OF THE BOARD, EXECUTIVE BOARD MEMBER FOR PURCHASING, SALES AND MARKETING OF LUDWIG BECK AG

In 2004, Christian Greiner developed the Young Fashion concept U1 for Rudolf Wöhrl AG in Nuremberg which he managed as a director until the end of 2007. Since 2008, Christian Greiner has been the managing director of INTRO Retail & Media GmbH and co-owner and managing director of the Nuremberg-based Kreativagentur nuts communication GmbH. In 2010, he changed from the Supervisory Board to the Executive Board of LUDWIG BECK AG and is now responsible for Purchasing, Sales and Marketing.

JENS SCHOTT

EXECUTIVE BOARD MEMBER FOR FINANCE, LOGISTICS AND IT OF LUDWIG BECK AG

Jens Schott specialized in taxes and accounting during his studies in business administration. From 1998 to 2002, he gained valuable experience in a well-known Munich-based auditing and tax consulting company. Jens Schott has been responsible for Group accounting and financial controlling at LUDWIG BECK AG since 2002 and was the head of Group accounting since 2015

He has been responsible for finance, logistics and IT since September 1, 2019.

From left: Christian Greiner, Jens Schott

Directors' Dialogue

IN CONVERSATION WITH CHRISTIAN GREINER AND JENS SCHOTT

LUDWIG BECK Executive Board members Christian Greiner and Jens Schott talk about the sale of WORMLAND, the Group's core business, and the future strategy of LUDWIG BECK.

Mr. Schott, we welcome you in this interview as a new member of the Executive Board. Since September 2019, you have been the new CFO of LUDWIG BECK.

Jens Schott: This position is a great vote of confidence, and I am honoured to make decisions in the top management of such a respected fashion retailer as LUDWIG BECK. I have been with the company for 18 years now. I do know the company very well, its internal processes, special characteristics, and, last but not least, the individual needs of our employees, partners, and customers. Based on my career as head of group accounting and my experience, I am responsible for finance, IT, and logistics. Besides being responsible for the Group figures, my focus is on modernizing the internal organization and processes.

Christian Greiner: I look forward to working with Mr. Schott as my new partner on the management board. We have already initiated several projects in a short period of time. Together we will do our utmost, even in these challenging times for retailers, to steer LUDWIG BECK into a positive and successful future.

With the sale of WORMLAND in 2019, the Group has set the necessary steps...

Christian Greiner: ... that we've thought long and hard about. Our restructuring efforts have resulted in several positive changes. But faced with the sustained negative trend in stationary fashion retail, which WORMLAND could not escape, we didn't succeed in putting WORMLAND back on track. Just like LUDWIG BECK, the WORMLAND branches were particularly exposed to competition from online trade and erratic weather conditions. Therefore, we decided to sell this segment at the beginning of 2019. It should be noted that the brand DNA of LUDWIG BECK and WORMLAND have many similarities and overlapping. Though that was a very emotional bond indeed, we had to act as responsible entrepreneurs and eventually decided in favour of the sale.

Jens Schott: We are pleased that a consortium of buyers from the WORMLAND management was swiftly found and that the divestiture process was carried out fast and harmoniously. We had enough reserves to cover the financial expenses involved.

What does this mean for the further development of LUDWIG BECK?

Christian Greiner: The structural changes in the German fashion market caused by online trade is a huge challenge for LUDWIG BECK. We are convinced that we can best master this change by strictly focusing on our core business – which we generate in our flagship store at the Munich Marienplatz and its affiliated branch in the FÜNF HÖFE. This is where our roots are. This is where we understand the potential and can address a large customer base as well as tourists who appreciate high-quality fashion in the unique shopping atmosphere at one of the most beautiful sites in Europe.

Jens Schott: By refocusing our efforts on the "Store of the Senses" in 2019, we have regained operational freedom. It also enables us to focus on establishing and expanding our own e-commerce platform ludwigbeck.de. Hitherto, we have been offering exclusive beauty products in German-speaking countries, but soon we will be adding a selected range of textiles online.

How does focusing on the core business influence customer loyalty?

Christian Greiner: LUDWIG BECK is renowned for a shopping experience that online portals and most of our stationary competitors cannot offer. This is our unique selling proposition in the market, and this is how we will position ourselves even more powerfully in the future. We stage premium products, many of which can exclusively be found only here in Munich. We present them in a sensuous, imaginative, and unique sales atmosphere. Anyone who enters the "Store of the Senses" will leave their everyday life for a while and enter an emotionalizing world. This emotionalization is our value added. At LUDWIG BECK, you don't just take an exceptional product home with you, but an experience that is far beyond the ordinary.

Jens Schott: Our employees are style consultants. They are highly qualified in helping our demanding, fashion-minded customers. We permanently train our employees to recognize, develop, and shape their potential. Eye-catching, as soon as you walk past the corner of the Munich town hall, are our seasonal window dressings. These are the work of our decoration department, and we are also regularly able to attract renowned artists and designers for their creative design.

Christian Greiner: Many Munich residents are also very familiar with our beauty magazine. It underpins LUDWIG BECK's image and publishes current offers. These include exclusive products as well as shopping events such as "1 Day - 100 Highlights" or "Black Friday", which was a great success in 2019. We regularly offer a platform for great contemporary artists. In September 2019, our audience was fascinated by the unconventional performance by Gregor Hildebrandt at the "Various Others" co-operative event in our classics department. Marketing projects like these, and intensified activities in the flagship store, form the bracket that contributes to customer loyalty – more than any online access by our competitors.

What are your plans for 2020?

Jens Schott: An essential task for this year is to streamline and optimize processes in the entire company. This includes a fundamental revision of all procedures and their improvement wherever it seems necessary. All areas will be under review.

Christian Greiner: We will continue to invest substantially in strengthening our customer loyalty and extending it to potential clients that we have not yet reached. The continuous optimization of our product range is an integral element of LUDWIG BECK's strategy for meeting the most demanding requirements of our customers. In 2020, we will invest even more in our sales floor services. In addition, some space optimizations are planned for the flagship store.

How is LUDWIG BECK dealing with the corona pandemic?

Christian Greiner: This topic will probably stay with us in Germany for quite some time. The operational development of LUDWIG BECK will be massively and sustainably affected. However, we will take all necessary steps to minimize the damage for LUDWIG BECK and its employees.

Jens Schott: I well understand that many LUDWIG BECK customers already act prudently and carefully and do not let themselves be panicked. As a company, we will, of course, take all the necessary precautions that are required now.

PERSONAL THANKS

The Executive Board would like to thank all employees, customers and business partners of the LUDWIG BECK Group for the commitment and trust shown to our company in 2019.

Supervisory Board's Report

In the Fiscal Year 2019, the Supervisory Board of LUDWIG BECK dealt comprehensively with the current development and the strategic goals of the Group. In doing so, it exercised its advisory, controlling, and monitoring functions vis-à-vis the Executive Board with all due diligence. In seven meetings, the Supervisory Board discussed issues of corporate planning, risk position, and risk management with the Executive Board.

A key basis for the Supervisory Board's activities are the oral and written reports within the meaning of Section 90 of the German Stock Corporation Act (AktG), which the Management Board provided both within and outside meetings of the Supervisory Board and its committees. Accordingly, the Supervisory Board was regularly informed by the Management Board about all developments in the company and the Group, both orally and in writing. These reports focused primarily on business policy and fundamental issues of corporate planning. In this way, the Management Board fully complied with its duties to provide information at all times. No additional or supplementary reports were required.

In particular, the reporting covered the company's profitability, the current business development, internal control systems, compliance, investment, and divestment decisions as well as transactions of primary importance for the profitability and liquidity of LUDWIG BECK AG and the Group. A core issue in 2019 was the sale of the Group segment WORMLAND.

The Supervisory Board was involved in all major strategic corporate decisions. If necessary, it discussed, examined, and approved them. In exercising its supervisory function, the Supervisory Board was able to satisfy itself of the legality and correctness of the corporate management by the Management Board. This also applies to the performance of the Company and the Group, the organization of which the Supervisory Board discussed with the Management Board.

The Supervisory Board and the Executive Board were also in constant communication regarding the evaluation of the company's opportunities and risks. The Management Board informed the Supervisory Board of the possible or actual risk scenarios for which solutions were found in joint consultations. At the same time, opportunities serving the company's economic objectives were examined.

There were no objections to the work of the Executive Board. Further details of the Supervisory Board's activities are described below.

SEVEN MEETINGS IN 2019

In the 2019 reporting year, the Supervisory Board held four ordinary and three extraordinary meetings, which - except for the extraordinary meeting on January 31, 2019, when Clarissa Käfer did not attend - were always attended by all acting Supervisory Board and Executive Board members.

These discussions focused on current business developments, corporate strategy, and measures for their implementation in the Company and its subsidiaries.

At the extraordinary meeting on January 31, 2019, the procedure in connection with the WORMLAND Group segment, which had been up for sale, was discussed.

A representative of the Company's auditors also attended the balance sheet meeting pursuant to section 171 (1) of the German Joint Stock Corporation Act (AktG) on March 28, 2019. In the course of this discussion, the annual financial statements of the company were adopted, the consolidated financial statements were approved, the management report and the Group management report were examined, the Supervisory Board report was adopted and the detailed planning for 2019 and the medium-term planning for 2020/2021 were approved. Furthermore, the proposed resolutions on the items on the agenda of the Annual General Meeting 2019 were approved.

A second extraordinary meetingind of the Supervisory Board was held as a telephone conference on the sale of the WORMLAND Group segment on April 11, 2019.

Following the Annual General Meeting of the Company, on June 3, 2019, the Supervisory Board met and dealt with developments to date in the 2019 financial year and the continuing corporate strategy.

In addition, an extraordinary Supervisory Board meeting was held on August 12, 2019, at which the Supervisory Board dealt with Mr. Münch's resignation from the Management Board, the appointment of Mr. Schott as a member of the Management Board, and the appointment of Mr. Greiner as Chairman of the Management Board.

A further ordinary meeting of the Supervisory Board was held on September 10, 2019, at which the Supervisory Board dealt with, among other things, the half-year results for 2019. In addition, the declaration of compliance with the German Corporate Governance Code was adopted on September 10, 2019.

At the meeting on December 12, 2019, business development in the fourth quarter and the Executive Board's planning for Fiscal Year 2020 were discussed.

The members of the Supervisory Board disclosed potential conflicts of interest to the Supervisory Board.

The Supervisory Board also maintained regular contact with the members of the Executive Board outside of the aforementioned meetings and was informed by the Management Board about current developments.

Until April 30, 2019, the Supervisory Board was composed as follows: Dr. Steffen Stremme (Chairman), Sandra Pabst (Deputy Chairwoman), Clarissa Käfer and Dr. Bruno Sälzer as shareholder representatives and Jochen Vöcker and Michael Neumaier as employee representatives. Following the sale of the WORMLAND Group segment, Mr Vöcker resigned from the Supervisory Board by the end of April 30, 2019. Thereupon, at the request of the Management Board, the Munich Local Court appointed Mr. Michael Eckhoff as a member of the Supervisory Board by resolution of August 8, 2019. Dr. Moritz Frhr. v. Hutten z. Stolzenberg was elected as a substitute member of the shareholder representatives on the Supervisory Board.

AUDIT COMMITTEE

The Supervisory Board has formed an Audit Committee and a Management and Personnel Committee.

In the year under review, the Audit Committee met on March 28, 2019, and dealt primarily with the Company's accounting and auditing as well as with risk management and compliance. The committee also decided to propose to the Supervisory Board to approve the annual accounts and the consolidated financial statements for the Fiscal Year 2018 and to examine the Group management report and the management report of LUDWIG BECK AG for the Fiscal Year 2018. The declaration of the independence of the auditing company was obtained. Furthermore, the Supervisory Board was recommended by a further resolution to propose BTU Treuhand GmbH, Wirtschaftsprüfungsgesellschaft, Munich, as the auditor for the Fiscal Year 2019 to the General Meeting. All committee members attended the meeting on March 28, 2019. In addition, individual members of the Audit Committee attended the numerous meetings of the project group formed for the invitation to tender for the mandate to audit the Company's separate and consolidated financial statements in the year under review.

The Audit Committee is composed of Clarissa Käfer (Chairwoman), Dr. Steffen Stremme, and Dr. Bruno Sälzer.

MANAGEMENT AND PERSONNEL COMMITTEE

On August 1, 2019, the Management and Personnel Committee held a telephone conference with the participation of all committee members and discussed any changes to the composition of the Management Board. The changes went hand in hand with the considerations for a new responsibility structure in the board after re-focusing on the core business LUDWIG BECK; on the other hand, with the changing requirements from the growing area of online business, among other things, also in the international area. The management and personnel committee include Dr. Its members are Dr. Steffen Stremme (Chairman), Sandra Pabst, and Clarissa Käfer.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION ON CORPORATE GOVERNANCE

The Supervisory Board is committed to the standards of good and responsible corporate governance set out in the German Corporate Governance Code. For this reason, the Audit Committee obtained a declaration from the auditor through its Chairwoman, stating that there are no business, financial, personal or other relationships between the auditor and the company that could give rise to doubts about its independence. The auditor submitted this declaration of independence to the Chairman of the Audit Committee by letter dated November 28, 2018.

It also relates to consultancy services which the auditor provided to the Company in the past financial year or which were agreed for the current financial year.

The declaration of compliance adopted on September 10, 2019, in accordance with section 161 of the German Stock Corporation Act (AktG) was published in the Corporate Governance Report section of the Annual Report and on the Company's website under the Investor Relations menu item in the Corporate Governance section. On March 26, 2020, the Supervisory Board, together with the Management Board, issued the corporate governance statement and made it publicly available on the Company's website.

CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements and consolidated financial statements as of December 31, 2019, as well as the management report and the Group management report, including the accounting records, were audited by BTU Treuhand GmbH, the appointed auditor, who issued an auditor’s opinion without restriction. The members of the Supervisory Board were provided with all financial statement documents and audit reports in good time before the Supervisory Board's financial statements meeting on March 26, 2020, and these were carefully examined by the Supervisory Board. These documents were discussed in detail by the Audit Committee and the entire Supervisory Board in the presence of the auditor. The auditors were unable to identify any weaknesses in the internal control and risk management system concerning the accounting process. The Supervisory Board was able to satisfy itself that the auditor's report met the legal requirements. At the above-mentioned meeting, the auditor also explained the scope, focal points, and costs of the audit and provided information about its impartiality and the services it provided in addition to the audit.

The Supervisory Board approved the results of the auditor's audit at the Supervisory Board meeting. It examined the Annual Financial Statements and the

Consolidated Financial Statements, the management report and the Group management report after detailed study. The statements made in the Management Report and the Group management report are consistent with the assessments of the Supervisory Board. Following the final result of its own examination, the Supervisory Board had no objections to the annual financial statements, the consolidated financial statements, the management report and the group management report. The Supervisory Board unanimously approved the annual accounts of LUDWIG BECK AG prepared by the Executive Board. Furthermore, the Supervisory Board approved the Group accounts.

The Supervisory Board also examined the separate non-financial Group report prepared by the Executive Board and discussed it in the balance sheet meeting on March 26, 2020. This was preceded by a preparatory review of the report by the Audit Committee, which also commissioned an external audit by an audit firm as part of its audit. The auditing company engaged issued an unqualified audit opinion. The Management Board explained the non-financial group report and answered the questions of the members of the Supervisory Board regarding it. Upon completion of its examination, the Supervisory Board concluded that the non-financial Group report of LUDWIG BECK was properly prepared.

The Supervisory Board also examined the Executive Board's report on relations with affiliated companies for the past Fiscal Year ("Dependency Report") in accordance with Section 312 AktG. In this report the Executive Board issued the following concluding statement:

“According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies, or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable consideration in each individual case and did not suffer any disadvantage as a result of measures being taken or not taken.”

BTU Treuhand GmbH, as the company's auditor for the 2019 Fiscal Year, audited the Dependency Report and issued the following auditor’s opinion on March 1, 2020:

"Following our audit and assessment in accordance with professional standards, we confirm that

the facts and circumstances presented in the report are correct,

in the reported legal transactions, the company’s performance was not disproportionate or disadvantages were balanced,

are no circumstances regarding the measures mentioned in the report which would require a significantly different approach than the one taken by the Executive Board.”

The Executive Board’s Dependency Report and the Auditor’s Report were available to the Supervisory Board. The Supervisory Board also discussed the Audit Report with the auditor through which it was satisfied in particular that all legal transactions and measures were fully captured. No concerns arose from the auditor’s Audit Report. On this basis, the Supervisory Board approved the results of the auditor’s examination. Based on the conclusions of its own analyses the Supervisory Board raised no objections to the Executive Board’s conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board extends its gratitude to all employees of the LUDWIG BECK Group for their great personal commitment in 2018. We also would like to express our thanks to our customers and business partners for the confidence placed in our Group.

Munich, March 2020

Dr. Steffen Stremme, Chairman of the Supervisory Board

Corporate Governance Report

The term Corporate Governance stands for responsible corporate management and control aimed at sustained value creation. LUDWIG BECK is guided by the German Corporate Governance Code, first adopted in 2002. The code provides recommendations of national and international standards to stock exchange-listed businesses, in respect of positive, transparent and responsible business leadership. LUDWIG BECK has felt bound to these values and has complied with the recommendations of the German Corporate Governance Code without significant limitations since April 2003. Alongside an efficient and targeted co-operation between Executive Board and Supervisory Board, special emphasis is placed on the importance of shareholder and employee interests. The Corporate Governance Report, the Declaration on Corporate Governance as well as further Corporate Governance-relevant documents can be found on the company's website in the Investor Relations section under the Corporate Governance menu item. The Declaration on Corporate Governance is accessible via the direct link: https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/declaration-of-corporate-governance.

In line with the recommendations in C.1 sentence 1 of the German Corporate Governance Code, the Supervisory Board has specified concrete objectives for its composition and prepared a competence profile for the plenary Board. The objectives and the competence profile can be found under the following link: https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/further-information.

The objectives set by the Supervisory Board and the requirements of the competence profile are currently being met. In the assessment of the Supervisory Board, at least one or two independent members representing the shareholders should serve on the Supervisory Board. At present, with members Mrs. Clarissa Käfer and Dr. Bruno Sälzer, the Supervisory Board has at least two independent shareholders' representatives.

The following declaration refers to the recommendations of the German Corporate Governance Code ("Code") as amended on February 7, 2017, which was made public in the German Federal Gazette on April 24, 2017 and corrected on May 19, 2017.

The Executive Board and the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare in accordance with Section 161 Joint Stock Corporation Act (AktG) that they have conformed and will conform to the recommendations of the "Government Commission for the German Corporate Governance Code", published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, with the following exceptions:

1. The recommendation in Clause 4.1.3 sentence 3 of the Code according to which employees shall be given an adequate opportunity to report, in a protected manner, suspected breaches of the law within the company (establishment of a whistleblower hotline) is not complied with. The Executive Board and the Supervisory Board are of the opinion that the company has a well-functioning compliance management system in place and see no need for setting up a whistleblower hotline. Furthermore, it cannot be excluded that the establishment of a whistleblower hotline might burden the excellent work atmosphere and encourage a culture of denunciation.

2. The Executive Board of the Company had no chairman or spokesman (Code Clause 4.2.1 sentence 1) until and including August 31, 2019. The Supervisory Board was of the opinion that this best reflected the cooperation of the two hitherto acting members of the Executive Board. Since the appointment of Christion Greiner as chairman of the Executive Board taking effect on September 1, 2019, the recommendation in Clause 4.2.1 sentence 1 has been followed.

3. The recommendation in Clause 4.2.3 par. 2, sentence 2, of the Code, according to which the monetary remuneration for members of the Executive Board should contain fixed and variable components, has partly not been complied with in regard to Jens Schott, the new member of the Executive Board appointed with effect as of September 1, 2019. In the period from September 1, 2019 to December 31, 2019, Mr. Schott will only receive a fixed remuneration. Since the assessment of the Executive Board members' variable remuneration is subject to criteria relating to complete fiscal years, the Supervisory Board considers a purely fixed remuneration for Mr. Schott appropriate and expedient. The recommendation in Clause 4.2.3 par. 2, sentence 2, of the Code will be fully complied with as of January 1, 2020.

4. In deviation from the recommendation in Clause 4.2.3 par. 2, sentence 3, of the Code the multiple-year assessment basis for determining the variable remuneration components to be granted to the members of the Executive Board which has been applied for many years is not generally future-oriented. In the view of the Supervisory Board the long-standing remuneration system has proven its worth.

5. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3). The Supervisory Board is of the opinion that election proposals to the General Meeting for members of the Supervisory Board should be

worked out in a plenary sitting of the manageable six-member body.

6. The recommendation in Clause 5.4.1 par. 2 sentence 1, alt. 1 and sentence 2 of the Code providing for the Supervisory Board to specify concrete objectives regarding its composition, and in particular to set an appropriate limit for the regular length of service on the Supervisory Board is not complied with. In the view of the Supervisory Board setting a general limit would not be conducive, as it is those members of the Supervisory Board concerned by a general limit in particular who possess profound insights in the company affairs and long-standing expertise benefitting the company. Consequently, decisions on further service periods shall be made on a case-by-case basis.

7. The Executive Board doesn't reason "interim financial information" with the Supervisory Board or its audit committee prior to their publication (Code Clause 7.1.2 sentence 2). The Supervisory Board and the Executive Board are in regular close contact on the basis of a monthly reporting system. Therefore, a separate discussion on semi-annual reports or other interim financial information prior to their publication is dispensable.

Share

EQUITY MARKETS IN THE YEAR 2019

Global stock markets in an upward trend

Nobody thought this was coming: unexpectedly, 2019 turned out to be a good year for the global stock markets. Despite the Brexit squabble and fears of recession, the DAX soared by more than a quarter to 13,249 points. Since the 2009 financial crisis, there had been no significant share price correction by more than 20 percent. Central banks stuck to their expansive monetary policy when the global economy showed the first signs of weakening. In combination with a healthy respect of investors to the effects of the trade war between the USA and China, stock markets soared in most countries, for example in the USA, where all major indices recorded double-digit gains in 2019. The Dow Jones ended its best year since 2017 with a plus of 22.33 percent; the Nasdaq even rose by 34.24 percent.

LUDWIG BECK share

The shares of LUDWIG BECK AG opened the year 2019 with a price of € 27.40 and closed the year at € 27.00. On May 9 and July 17, the year high price of € 30.00 was reached; the year low price was € 27.00 as of December 23.

Earnings per share

Earnings per share are calculated by dividing LUDWIG BECK's consolidated net profit by the average number of shares outstanding. In the year under report, earnings per share were € -3.68 (previous year: € -0.22). Earnings per share are composed of a profit from continued operations of € 0.93 (previous year: € 1.35) and losses from discontinued operations of € -4.61 (previous year: € -1.56).

Dividend

Among many investors, the LUDWIG BECK AG shares enjoy the reputation of a reliable dividend stock. However, the contribution of the company to the sale of the WORMLAND Group, which amounted to € 11.5m, had a negative impact on the financial result of LUDWIG BECK AG and led to a net loss of € -10.6m in the 2019 Fiscal Year. Since the loss was fully compensated by profit reserves of LUDWIG BECK AG, the profit of LUDWIG BECK AG booked in the balance sheet amounted to € 0 as of December 31, 2019. Therefore, the Executive Board and Supervisory Board of LUDWIG BECK will propose to the shareholders, at the annual shareholders' meeting in May 2020, not to pay out a dividend for the 2019 Fiscal Year.

Shareholder structure

According to the latest disclosures, the current shareholder structure of LUDWIG BECK AG is as follows:

In the 2019 reporting year, INTRO-Verwaltungs GmbH was the largest individual shareholder with a shareholding of 49.2%. Hans Rudolf Wöhrl Verwaltungs GmbH held 25.7% of the shares, while OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG held 5.0% and Rheintex Verwaltungs AG held 3.0% of the shares in LUDWIG BECK AG. As voting rights are only reported after reaching certain thresholds, the company's free float can only be estimated and thus is approximately 17.1%.

Investor Relations

As a Prime Standard-listed company, LUDWIG BECK is committed to the rules of fair disclosure, which concern timeliness, continuity, and equality of treatment in information policy. Therefore, the company maintains a regular dialogue with investors and analysts and provides a continuous flow of information on activities and projects.

LUDWIG BECK's reporting is bilingual and linked to fixed dates, comprising, for instance, the sales report at the beginning of the year, the balance sheet press conference, and the analysts' conference, where the management of LUDWIG BECK presents the annual report for the past Fiscal Year. In addition, LUDWIG BECK publishes quarterly reports for the first and the third quarter of the year and a quarterly report for the second quarter and the first six months of the year.

The publications on the aforementioned events are freely available online in the Investor Relations section at **http://kaufhaus.ludwigbeck.de**. This menu point also offers comprehensive information on the Group's corporate strategy, continuous publication of reports, Corporate News, and analyst recommendations. An archive of Annual Reports is provided, dating back to the year 2000. Company events and comments are related in regular shareholder newsletters. Furthermore, the Investor Relations team is always available for direct contact.

The company's Financial Calendar for 2020 can be found on page 75 of this Annual Report as well as online under the section Investor Relations/Corporate Events/Financial Calendar.

Contact:

LUDWIG BECK Investor Relations
André Deubel
Tel. +49 89 23691-745
Fax +49 89 23691-600
andre.deubel@ludwigbeck.de

2 Consolidated Financial Statements

& Consolidated Notes

Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as per December 31, 2019, according to IASB provisions

Assets			**12/31/2019**	**12/31/2018**
		Notes	**€k**	**€k**
A.	**Long-term assets**			
I.	Intangible assets	(1)	4,446	4,322
II.	Property, plant, and equipment	(1)	157,136	96,198
III.	Other assets	(2)	143	143
	Total long-term assets		**161,726**	**100,664**
B.	**Short-term assets**			
I.	Inventories	(3)	12,331	20,888
II.	Receivables and other assets	(4)	2,543	3,249
III.	Cash and cash equivalents	(5)	639	1,678
	Total short-term assets		**15,514**	**25,814**
			177,239	**126,478**

Liabilities			**12/31/2019**	**12/31/2018**
		Notes	**€k**	**€k**
A.	**Shareholders' equity**			
I.	Subscribed capital	(6)	9,446	9,446
II.	Capital reserves	(6)	3,459	3,459
III.	Accumulated profit	(6)	49,541	63,380
IV.	Other equity components	(6)	-805	-533
	Total shareholders' equity		**61,641**	**75,751**
B.	**Long-term liabilities**			
I.	Financial liabilities	(9)	90,172	28,894
II.	Accruals	(8)	2,897	3,502
III.	Deferred taxes	(10)	442	809
	Total long-term liabilities		**93,511**	**33,205**
C.	**Short-term liabilities**			
I.	Financial liabilities	(9)	16,570	7,125
II.	Trade liabilities	(9)	1,058	2,368
III	Tax liabilities	(9)	29	25
IV.	Other liabilities	(9)	4,431	8,004
	Total short-term liabilities		**22,088**	**17,522**
	Total debt (B. – C.)		**115,599**	**50,727**
			177,239	**126,478**

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2019 – December 31, 2019, according to IASB provisions

			1/1/2019 – 12/31/2019		1/1/2018 – 12/31/2018*)	
		Notes	€k	€k	€k	€k
1.	Sales revenue	(11)				
	– Gross sales		95,272		95,534	
	– less VAT		15,195		15,235	
	– Net sales			80,077		80,299
2.	Other own work capitalized	(12)		39		28
3.	Other operating income	(13)		3,752		3,668
				83,869		**83,995**
4.	Cost of materials	(14)	41,483		41,640	
5.	Personnel expenses	(15)	17,445		17,357	
6.	Depreciation	(16)	5,930		2,685	
7.	Other operating expenses	(17)	12,051	76,909	14,686	76,368
8.	**EBIT**			**6,959**		**7,627**
9.	**Financial result**	(18)		**-2,328**		**-769**
	– thereof financial expenses: € 2,410k (previous year: € 851k)					
10.	**Earnings before taxes on income**			**4,631**		**6,859**
11.	Taxes on income	(19)		1,202		1,897
12.	**Earnings after taxes from continued operations**			**3,429**		**4,962**
13.	Earnings after taxes from discontinued operations	(20)		-17,018		-5,775
14.	**Consolidated net income**			**-13,590**		**-813**
15.	**Expenditures and income entered directly into equity**	(21)				
15a.	Components which cannot be reclassified in the income statement					
	Actuarial profits (+) / losses (-) from pension commitments			-405		-42
15b.	Deferred taxes on expenditures and income entered directly into equity (expenditure (+) / income (-))			-133		-14
	Total expenditures and income entered directly into equity			**-272**		**-28**
16.	**Consolidated comprehensive income**			**-13,862**		**-841**
Diluted and undiluted earnings per share in €		(22)		-3.68		-0.22
	thereof from continued operations per share in €			0.93		1.35
	thereof from discontinued operations per share in €			-4.61		-1.56
Average number of outstanding shares in thousands				3,695		3,695

*) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" had to be applied for the 2019 financial year following the sale of all WORMLAND shares. Accordingly, all revenues, income, and expenses were eliminated from the individual items of the consolidated statement of comprehensive income and reported as a single amount in the separate line "Earnings after taxes from discontinued operations" (IFRS 5.33). The previous year's figures have been adjusted accordingly (IFRS 5.34).

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2019 – December 31, 2019

	Subscribed Capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components *) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2019	**9,446**	**3,459**	**63,380**	**-533**	**75,751**
Consolidated net income	0	0	-13,590	0	-13,590
Dividend payments	0	0	-249	0	-249
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-272	-272
As per 12/31/2019	**9,446**	**3,459**	**49,541**	**-805**	**61,641**

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2018 – December 31, 2018

	Subscribed Capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components *) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2018	**9,446**	**3,459**	**66,994**	**-505**	**79,394**
Consolidated net income	0	0	-813	0	-813
Dividend payments	0	0	-2,402	0	-2,402
Disbursements to other shareholders	0	0	-399	0	-399
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-28	-28
As per 12/31/2018	**9,446**	**3,459**	**63,380**	**-533**	**75,751**

*) Other equity components mainly result from actuarial profits and losses, which in the future won't be reclassified in the income statement.

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2019 – December 31, 2019, according to IASB provisions

	1/1/2019 – 12/31/2019	1/1/2019 – 12/31/2018
	€k	€k
Earnings before taxes on income	**4,631**	**1,083**
Adjustments for:		
Depreciation	5,930	6,441
Interest income	-82	-82
Interest expenses	2,410	953
Losses from the disposal of fixed assets	39	0
Operating result before changes to net working capital	**12,928**	**8,395**
Increase/decrease (-/+) in assets:		
Inventories	141	-222
Trade receivables	381	785
Other assets	-4	-166
Increase/decrease (-/+) in liabilities:		
Trade liabilities	-351	-544
Other liabilities	-474	-110
Increase/decrease (-/+) in accruals:		
Accruals	--217	-267
Cash flow from operating activities (before interest and tax payments)	**12,404**	**7,871**
Interest paid	-2,353	-896
Interest received	1	1
Disbursement to other shareholders	-249	-399
Taxes on income paid	-1,929	-2,260
A. Cash flow from operating activities	**7,874**	**4,316**
Disbursements for investments in intangible assets and fixed assets	-1,666	-2,468
Seller contribution WORMLAND	-11,500	0
Cash outflow from deconsolidation of WORMLAND	-843	0
Proceeds from the disposal of plan assets	104	104
B. Cash flow from investing activities	**-13,905**	**-2,364**
Dividend payments	0	-2,402
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance comp.	-1,683	3,722
Acceptance/repayment (+/-) of short-term bank loans and loans from insurance comp.	9,309	-2,730
Acceptance/repayment (+/-) of other loans	-52	-317
Repayment of finance leases	-2,581	-116
C. Cash flow from financing activities	**4,993**	**-1,843**
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	-1,038	108
Cash and cash equivalents at the beginning of the fiscal year	1,678	1,570
Cash and cash equivalents at the end of the fiscal year	**639**	**1,678**

Consolidated Notes

Consolidated notes to the IFRS-compliant consolidated financial statements for the Fiscal Year 2019 of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich

A. GENERAL DATA

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (hereinafter also referred to as LUDWIG BECK AG), the parent company of the LUDWIG BECK Group, was founded on August 13, 1992, by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich. The registered seat of LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

LUDWIG BECK AG is listed in the commercial register of the Local Court of Munich, Germany, under registration number HR B No. 100213.

The object of the LUDWIG BECK Group is the sale of all kinds of goods, especially the wholesale and retail of textiles, clothing, hardware, and other merchandise, also by mail order or online, as well as the acquisition, holding and management of investments in unincorporated and incorporated companies, especially companies that own real estate or which themselves hold interests in such companies.

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2018, have been prepared per International Financial Reporting Standards (concisely: IFRS) / International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC) / Standing Interpretations Committee (concisely: SIC). All of the aforementioned standards and interpretations which were mandatorily applicable to the Fiscal Year 2019 were complied with. In line with Section 315e German Commercial Code (HGB), certain information, including the consolidated management report, was added to the consolidated financial statements.

The consolidated balance sheet of LUDWIG BECK AG was drawn up as per the balance sheet dates December 31, 2019, and December 31, 2018. The relevant consolidated statement of comprehensive income, the consolidated equity statement, the consolidated cash flow statement and the notes to the consolidated financial statements cover the periods from January 1, 2019, to December 31, 2019, and from January 1, 2018, to December 31, 2018. The balance sheet dates of the consolidated companies are identical.

The amounts contained in the consolidated financial statements are given in €k (thousand Euro). The consolidated financial statements have been set up on the basis of precise (unrounded) figures, which were then rounded to €k. This may lead to summation-related rounding differences.

The present consolidated financial statements complying with the relevant IFRS/IAS standards in all respects give an accurate picture of the actual assets, financial, and earnings situation of LUDWIG BECK AG.

The layout of items in the consolidated balance sheet, the consolidated statement of comprehensive income (total cost method), the consolidated equity statement, and the consolidated cash flow statement is in accordance with IAS 1.

The preparation of the consolidated financial statements requires estimations and assumptions, which may affect the amounts stated for assets, liabilities, and financial commitments as at the balance sheet date, as well as income and expenses of the Fiscal Year. Actual future amounts may differ from these estimations. The most important future-oriented assumptions and other major sources of uncertainty regarding estimations as at the relevant date, involving the considerable risk that significant adjustments of the book values of assets and debts will be required in the following Fiscal Year, are disclosed in the relevant explanations. The LUDWIG BECK Group made estimations and assumptions in particular with regard to the valuation of intangible assets, tangible fixed assets (cf. sub-clauses 4 and 5), inventories (cf. sub-clause 6), accruals (cf. sub-clause 9) and deferred taxes (cf. sub-clause 11).

The consolidated financial statements will be submitted to the Supervisory Board for approval at the meeting on March 26, 2020. The Executive Board will afterward release the consolidated financial statements for publication. The Annual General Meeting cannot change the consolidated financial statements approved by the Supervisory Board.

B. ACCOUNTING AND CONSOLIDATION PRINCIPLES

I. Consolidated Group

In addition to the parent company, LUDWIG BECK AG, the following subsidiaries, all domiciled in Germany, are included in the consolidated financial statements as of December 31, 2019:

Name	Shareholding ratio (also voting rights ratio)
Direct shareholdings:	
LUDWIG BECK Beteiligungs GmbH	100,0%
Indirect shareholdings:	
LUDWIG BECK Verwaltungs GmbH	86.0%
Feldmeier GmbH & Co. Betriebs KG	85.9%
Feldmeier GmbH	100.0%
LUDWIG BECK Grundbesitz Haar GmbH	100.0%
LUDWIG BECK Grundbesitz Hannover GmbH	100.0%

The aforementioned companies are fully consolidated since they are controlled by the majority of voting rights.

In its disclosure of April 15, 2019, LUDWIG BECK informed that the sales effort initiated on January 31, 2019, to sell the shares in Theo Wormland GmbH & Co. KG ("WORMLAND") held by LUDWIG BECK Unternehmensverwaltungs GmbH has led to the conclusion of a contract. The contract about the sale and assignment of shares in LUDWIG BECK Unternehmensverwaltungs GmbH was executed as of April 30, 2019. In the course of this sales process, all shares in WORMLAND Unternehmensverwaltungs GmbH and WORMLAND Holding GmbH were also sold as of April 30, 2019.

Therefore, IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" was applicable for the 2019 Fiscal Year. It provides for all revenues, earnings, and expenses to be eliminated from the individual items of the consolidated statement of comprehensive income and to be carried in a separate “Earnings after taxes from discontinued operations” reporting line as the net amount (IFRS 5.33). The previous year’s figures were adjusted accordingly (IFRS 5.34). The profit after tax from discontinued operations represents the loss from the disposal of the WORMLAND subgroup.

By merger agreement dated April 10, 2019, ludwigbeck.de GmbH, Munich (HRB 196320), was merged into LUDWIG BECK AG with effect as of January 1, 2019. For this reason, ludwig-beck.de GmbH is no longer shown as under direct shareholdings. Apart from this, the merger had no effect on the consolidated financial statements. The assets, liabilities, and financial obligations, as well as revenues, income and expenses of ludwigbeck.de GmbH, are now directly reported by LUDWIG BECK AG.

The consolidated Group also comprises three real estate companies, two of which hold real estate exclusively used by the Group, thus merely being exposed to risk relating to the market value development of these properties. LUDWIG BECK Grundbesitz Hannover GmbH holds properties that are rented to third parties; here, the risk lies in the market development of the properties and the ability to generate rental income.

II. Consolidation methods

1. Capital consolidation

The capital of the fully consolidated companies is consolidated using the purchase method. The acquisition costs of the investment are offset against the proportionate shareholder's equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden reserves and liabilities were allocated to the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken for the purpose of consolidation.

The capital of Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition. At the same time, for all other first-tier and second-tier subsidiaries, capital consolidation was undertaken at the time of the foundation or acquisition of the enterprises.

Within the scope of subsequent consolidation, uncovered hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities.

The equity components of other shareholders (limited partners) of Feldmeier GmbH & Co. Betriebs KG is reported in compliance with IAS 32 and IAS 1.

No differences in the amount resulted from capital consolidations.

2. Consolidation of receivables and liabilities

Receivables and liabilities between consolidated companies were eliminated during the consolidation of receivables and liabilities.

3. Consolidation of income and expenses

Inter-company sales, other operating income, costs of materials, and other operating expenses were offset. Interest income and interest expenditure within the 46 were also netted against each other.

4. Elimination of unrealized profits

There was no need for the elimination of unrealized profits resulting from inter-company sales and services.

III. Principles of foreign currency translation

No foreign currency translations were required during the consolidation of the subsidiaries, as all subsidiaries are German.

The reporting currency is thousand Euro (€k).

IV. Accounting principles and valuation methods

1. General

The consolidated balance sheet and the consolidated statements of comprehensive income of the consolidated companies were generally prepared in accordance with the hereinafter described accounting principles and valuation methods applied by the parent company.

2. Initial application of IFRS/IAS

In the past years, the IASB made several amendments to existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The following interpretations and standards were to be mandatorily applied by entities for the first time in the Fiscal Year commencing on January 1, 2019:

- IFRS 16 „Leases“

  In January 2016, the IASB published the new IFRS 16 standard "Leases" to replace the former lease standard IAS 17. The new standard will be mandatorily effective for Fiscal Years beginning on or after January 1, 2019. Earlier adoption is admissible if IFRS 15 is adopted as well. The Group applies IFRS 16 for the first time in these consolidated financial statements for the Fiscal Year beginning January 1, 2019.

  The new standard provides a single lessee accounting model: Leases have to be recorded as usage rights and corresponding liabilities. The lessee may elect not to apply this standard to low-value assets and lease terms of 12 months or less. LUDWIG BECK has not exercised this option.

The Group decided to apply a modified retrospective approach for the transition period. Therefore, there is no need to adjust comparative information. Upon initial application of IFRS 16, usage rights were recognised in the same amount as leasing liabilities, i.e., € 68.3m. The leasing liabilities were measured in the amount of the present value of the remaining lease payments, discounted by applying LUDWIG BECK's incremental borrowing rate at the time of initial application. As of January 1, 2019, the incremental borrowing rates used were between 1% and 3% dependent on the term.

As regards lessor accounting, IFRS 16 does not differ significantly from IAS 17. The lessor still has to differentiate between a finance lease and an operating lease.

LUDWIG BECK basically concludes leases as an operating lessee. The following consequences for the presentation of the Group's assets, financial and earnings situation ensued from the mandatory application of IFRS 16: As regards the minimum lease payments from operating leases reported under the other financial commitments item, the initial application of the standard lead to an increase in long-term assets as a result of the accounting for usage rights. Accordingly, financial liabilities increased as a result of the disclosure of pertinent liabilities. Furthermore, the type of costs arising from these leases changed as well, as straight-line expenses for operating leases in the amount of approximately € 4.1m were replaced by write-offs of usage rights in the amount of approximately € 3.3m and interest expenses in the amount of approximately € 1.5m pursuant to IFRS 16. In addition, IFRS 16 requires the amount of cash paid into the principal to be presented within cash flow from financing activities, so that the operating cash flow has improved. Diluted and undiluted earnings per share for the 2019 Fiscal Year were reduced by € 0.14 as a result of the first-time application of IFRS 16.

- Amendments to IAS 19: Change or clarification of accounting in case of amendment, curtailment or settlement of a defined benefit plan; LUDWIG BECK did not have any case of amendment, curtailment or settlement of a defined benefit plan in the Fiscal Year 2019 so that the amendment of IAS 19 did not have any effects on the consolidated financial statements.

The following standards or their amendments are not pertinent for LUDWIG BECK so that their first-time application has no effect on the consolidated financial statements as per December 31, 2019.

- Amendments to IAS 28: Clarification on the application of IFRS 9 to particular long-term interests in an associate or joint venture to which equity method is not applied
- Amendments to IFRS 9: Prepayment features with negative compensation, clarification regarding the valuation of financial assets with symmetric prepayment options
  - IAS 23: Accounting treatment of borrowing costs directly attributable to the acquisition of qualifying assets
  - IFRS 3: Remeasurement of previously held interests in joint operations upon obtaining control
  - IFRS 11: No remeasurement of previously held interests upon obtaining joint control of a business that is a joint operation
  - IFRS 12: Clarification of the application of IFRS 12.57A for all income tax consequences of dividends
- IFRIC 23: Uncertainty over income tax treatment, consideration of such uncertainties in accounting for current and deferred tax liabilities and assets

The initial application of the following new standards and amendments is not expected to have a significant impact on the consolidated financial statements of LUDWIG BECK:

- IFRS 17: Insurance contracts
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of material
- Amendments to IAS 39, IFRS 7 and IFRS 9: Interest rate benchmark reform (phase 1), hedge accounting issues related to the expected replacement of the interest rate benchmarks, so-called IBOR reform

3. Currency translation applied by consolidated companies

No hedging transactions for foreign currencies were concluded.

Receivables and payables in foreign currencies are always reported at the exchange rate valid on the day of the transaction pursuant to IAS 21.

Receivables and payables in foreign currencies are valued at the relevant exchange rate on the consolidated balance sheet date.

4. Intangible assets

With the exception of the brand “LUDWIG BECK”, intangible assets acquired on a payment basis are capitalized at acquisition cost and amortized in scheduled amounts over their expected useful lives using the straight-line method (pro-rata temporis) in accordance with IAS 38.

Software, industrial property rights, and similar rights
These concern licenses and purchased or modified user software, which are written down over an expected useful life of 3 years or eight years in the case of essential software programs.

Brand name “LUDWIG BECK”
The enterprise value “LUDWIG BECK” (€ 2,039k) is reported under the item “Intangible assets”, as it is an identified brand name according to IAS 38. In line with the application of this standard, scheduled amortization ended as per January 1, 2004, as this right is not consumed over time (unlimited useful life). As to the impairment test performed, please refer to section C.I. (1). Consequently, no impairment of the brand name, as per December 31, 2019, was required.

5. Property, plant, and equipment

Property, plant, and equipment are carried at acquisition or production costs, including ancillary expenses, if any, according to IAS 16.

The essential item is the real estate of Feldmeier GmbH & Co. Betriebs KG at Marienplatz in Munich reported at its assessed fair value in 2001 following acquisition through merger by LUDWIG BECK Beteiligungs GmbH. The fair value of the land at initial consolidation in 2001 was determined on the basis of the acquisition costs as well as the development of guideline land prices between 1998 and 2000. The amount stated in 2001 remained unaltered until December 31, 2019. The building is depreciated in scheduled amounts.

Tangible fixed assets with limited useful lives are written down in scheduled amounts (pro-rata temporis) over their average, customary useful lives (possibly limited by shorter rental/lease agreements) using the straight-line method.

Depending on the relevant assets, the following useful life spans are assumed:

Buildings	25 – 40 years
Buildings – rented under operating lease	40 years
Buildings on third party land	10 – 20 years
Other fixtures and fittings, tools and equipment	3 – 10 years

Movable items of capital assets up to the value of € 150.00 are fully reported with an effect on expenses outside of fixed assets in the year of acquisition. Movable items of capital assets above the value of € 150.00 and below € 1,000.00 are pooled for materiality reasons in the year of acquisition and depreciated over a useful life span of 5 years using the straight-line method.

Payments on account for assets under construction are capitalized with the amounts paid.

Maintenance costs are expensed in the respective period.

LUDWIG BECK as lessee
LUDWIG BECK has entered rental and leasing contracts, which were classified as operating leases according to IAS 17 and were therefore not recognized in the consolidated balance sheet. With the mandatory implementation of IFRS 16, the distinction between finance and operating leases no longer applies, and rental agreements must be included uniformly in the consolidated balance sheet. The right of use from the rental agreement is capitalised in the consolidated balance sheet, and the payment obligation relating to future rental payments is recognised as financial liabilities. The initial accounting for rights of use and payment obligations is carried out in the amount of the present value of the future rental payments. The capitalized rights of use are amortized on a straight-line basis over the term of the respective rental agreement, as the term is generally shorter

than the useful life of the underlying assets. In the consolidated income statement, depreciation and finance costs are presented instead of rental expenses.

LUDWIG BECK as lessor

Leases in which LUDWIG BECK is lessor are classified as finance leases pursuant to IFRS 16 if all risks and rewards associated with the owners are essentially transferred to the lessee. Otherwise, leases are classified as operating leases.

LUDWIG BECK Grundbesitz Hannover GmbH leases two properties in Hanover to WORMLAND. Due to the deconsolidation of WORMLAND, these leases as of December 31, 2019, must be presented as agreements with external third parties, which are classified as operating leases pursuant to IFRS 16 in the consolidated financial statements of LUDWIG BECK for the first time.

There are no subleases. The contracts do not contain any non-leasing components.

Rental income from operating leases is recognised on a straight-line basis over the term of the respective lease. Initial direct costs from the negotiation and conclusion of lease agreements are added to the book value of the leasing object and are depreciated on a straight-line basis over the leasing period; no such costs were incurred in the 2019 Fiscal Year, as the rental agreements have already been in place since 2015.

Generally, the rented properties classify as financial investments in accordance with IAS 40. The annual rental income amounts to € 281k. In proportion to LUDWIG BECK's total sales revenue, they are of absolutely minor importance and, therefore, of no relevance for the assessment of LUDWIG BECK's earnings and financial situation and the Group's control. Likewise, the book values of the properties (as per December 31, 2019: € 4,252k) in relation to total assets and non-current assets are not material for the assessment of LUDWIG BECK's financial position. Therefore, LUDWIG BECK does not apply IAS 40 to the properties in Hanover.

6. Inventories

In accordance with IAS 2, raw material, supplies, and merchandise are always valued at acquisition costs. The FIFO principle was applied to the consumption of inventory where necessary.

Appropriate deductions from net realizable value were made for old stock and goods of reduced saleability (marketability). For this purpose, a distinction is made between standard, fashionable, and high-fashion goods and different discounts are applied depending on the age of the goods. In addition, lump-sum reductions for cash discounts were recognized. The cost of external capital was not capitalized.

7. Receivables and other assets

Trade receivables are carried at amortized costs, which usually equal nominal values before valuation allowances. Adequate valuation allowances are made for doubtful receivables and receivables with recognizable risks; bad debts are written off.

Other assets are carried at amortized costs. No recognizable risks are requiring a valuation allowance.

The deferred item is a component of other assets and only concerns prepaid operating expenses.

The book values of trade receivables and other assets correspond to their fair values.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and short-term bank balances. The amounts are given at nominal values. Fair value equals book value. There is no risk of default.

9. Accruals

According to IAS 37, accruals are recognized when an entity has a current legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount posted to accrual corresponds with the best estimate of the expense required to settle the current obligation as per the relevant date of the financial statements.

Long-term non-interest-bearing accruals are discounted at their cash values.

Pension commitments

Accounting for pension commitments was carried out in compliance with the provisions of IAS 19R “Employee Benefits”.

The actuarial valuation of pension commitments is based on the projected unit credit method as prescribed for old-age pension commitments in IAS 19R. According to this method, not only the pension benefits and accrued future pension benefits known at the balance sheet date but also expected increases in salaries and pensions are taken into account. Actuarial profits and losses are entered directly in equity.

10. Liabilities

Financial liabilities

According to IFRS 13, financial liabilities are basically carried at their fair value. Fair values are determined by taking into consideration changes in market interest levels for financial liabilities with comparable conditions (term, repayment conditions, securities).

Trade and other liabilities

Trade and other liabilities are generally carried at amortized costs, which essentially means equal fair values. Most of them fall due within one year. They comprise a variety of individual items.

Derivative financial instruments

The LUDWIG BECK Group does not utilize any derivative financial instruments.

11. Deferred taxes

Deferred taxes are calculated according to the balance sheet-oriented liability method (IAS 12). This generally requires deferred taxation items to be stated for all temporary accounting and valuation differences between valuations, according to IFRS and tax-relevant valuations. Assets-side deferred taxes are only considered if recognition is expected.

In calculating deferred taxes (corporate tax, solidarity surcharge, trade tax), the corporate tax rate of 32.975% applicable to LUDWIG BECK AG was applied throughout. The trade tax rate calculated based on the municipal trade tax factor of 490% for Munich was 17.15%. For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, the tax rate of 15.825% (corporate tax and solidarity surcharge), was applied to the portions attributable to LUDWIG BECK Beteiligungs GmbH and Feldmeier GmbH. Due to trade tax reduction regulations pertaining to Feldmeier GmbH & Co. Betriebs KG trade tax was not taken into account for these temporary differences.

Deferred tax assets and liabilities were offset in accordance with IAS 12.74.

12. Maturities

Asset and liability items with a residual term of up to one year were recognized as “short-term”. Asset and liability items with a residual term of more than one year were recognized as “long-term”.

13. Revenue recognition

Sales revenue is recognized when sales contracts are concluded. Sales revenue is reported, fewer revenue reductions and refund credits, with deduced value, added tax clearly disclosed.

14. Financial instruments

Financial assets and liabilities included in the consolidated balance sheet comprise cash and cash equivalents, trade receivables and trade payables, other receivables, other payables, and liabilities to banks. The accounting principles regarding carrying amounts and valuation of these items are described in the respective explanations to these consolidated notes.

Financial instruments are classified as assets or liabilities, according to the economic content of the contractual terms. Interest, profits, and losses from these financial instruments are therefore carried as expenses or income. Interest, profits, and losses from these financial instruments are therefore carried as expenses or income

Financial instruments are offset if the Group has a legally enforceable right to use offsetting and intends to settle either just the difference or both the receivables and payables at the same time.

Financial assets and liabilities are carried as soon as the relevant contractual payment claims or contractual payment obligations arise. They are written off when payment is made, total loss of the payment claim has occurred, or LUDWIG BECK is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of the other shareholder in Feldmeier GmbH & Co. Betriebs KG is classified as borrowed capital.

Management of financial risks

The LUDWIG BECK Group uses a centralized approach to financial risk management for the identification, valuation, and control of risks. No significant risks are discernible as per the balance sheet date. Areas of risk from financial assets and liabilities can be subdivided into liquidity, credit, and interest risks.

Liquidity risk

The term generally describes the risk that the LUDWIG BECK Group would not be in a position to meet its obligations resulting from financial liabilities.

The management is constantly monitoring and planning required liquidity needs on the basis of up-to-date cash flow figures and schemes. The company depends on framework credit facilities and bank loans in order to be able to provide sufficient liquid funds. As per the relevant date, short-term credit facilities in the amount of € 43.000k were available until further notice; approximately 37% (including bank guarantees taken out) have been utilized as per the balance sheet date.

As a result of cash flow planning for the future and available credit lines, no liquidity bottlenecks are discernible at present. Risks would only occur in case of a deteriorating credit standing or if cash flows forecasted within the scope of business planning fall considerably short of the estimates. The maturity structure of liabilities is illustrated in connection with the relevant individual balance sheet items.

Risk of bad debt

The risk of bad debt concerns the default risk involved in financial assets. LUDWIG BECK basically generates primary sales against cash or credit card or EC card receivables. Therefore, LUDWIG BECK is exposed to the risk of bad debt only to a very limited extent. The online trade still plays a subordinate role in comparison to stationary trade. The credit card providers mainly bear the risks involved in credit card payments. The monitoring of claims from sales on the EC card basis is outsourced to an external provider. Risks arising from the physical movement of cash are minimized through implemented monitoring mechanisms.

Derivative financial instruments

As per the balance sheet date, there were no derivative financial instruments to report.

Interest risk

The LUDWIG BECK Group uses current account overdraft facilities subject to variable interest. With regard to these items, the Group is exposed to interest risks from financial liabilities, which can be considered as minor under current market conditions.

15. Changes in accounting and valuation methods

Accounting and valuation principles remained unchanged in comparison to the previous year.

C. EXPLANATIONS TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

I. Consolidated Balance Sheet

(1) Intangible assets and property, plant, and equipment

This term comprises the following items shown in the consolidated balance sheet:

- Intangible assets
- Property, plant, and equipment

The development of acquisition costs, cumulative depreciation, and book values of intangible and tangible fixed assets are presented in the following fixed asset schedule.

Intangible assets
Intangible assets only comprise assets acquired on a payment basis.

The useful life of software is between 3 and 8 years. Software is depreciated pro-rata temporis using the straight-line method. The used enterprise resource planning system is depreciated over a useful life span of 8 years.

The intangible asset originating from the purchase of the brand name “Ludwig Beck” in 1995 was amortized pro rata temporis in annual amounts of € 170k until December 31, 2003, using the straight-line method. By virtue of the applied IAS 36 and IAS 38 standards, the yearly scheduled amortization of this intangible asset ended on January 1, 2004.

The brand name “LUDWIG BECK” only concerns the cash-generating unit “Marienplatz Flagship Store”. Impairment tests are carried out on an annual basis. The recoverable amount equals the utility value, as there is no active market for the brand name. The utility value was derived from the planned cash flows of the flagship store (before financing activities and income taxes), which were discounted by an interest rate after taxes of 2.6%. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated for a period of 5 years within the company’s planning. An increase in sales of 1.5% as well as a gross profit margin of approximately 48% and cost indexation of 1.5% were assumed.

No adjustments for the diminution of value had to be made as a result of the impairment test. LUDWIG BECK considers discount rate- and sales growth-related assumptions as basic assumptions underlying the calculations for the performance of the impairment test. Alternative scenarios were calculated with a ±1% discount rate difference and a ±1% sales growth variance. All scenarios showed that no impairment losses had to be taken into account.

For the 2019 Fiscal Year, payments on account in the amount of € 917k (previous year: € 723k) had to be reported. They concerned down payments for till software.

Development of consolidated fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, from January 1, 2019 – December 31, 2019

	As of 1/1/2019 *1/1/2018*	Addition	Dis-posal	Dis-posal WL*)	Reclas-sification	As of 12/31/2019 *12/31/2018*	Cumulative Depreciation	Disposal WL*)	Book Value 12/31/2019 *12/31/2018*	Book Value 12/31/2018 *12/31/2017*	Depreciation**) 2019 *2018*
	€k	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**
I. Intangible assets											
1. Software, industrial and similar rights	**4,482**	**386**	**475**	**1,240**	**0**	**3,153**	**1,663**	**1,066**	**1,490**	**1,560**	**283**
Previous year	*4,645*	*137*	*355*	*0*	*55*	*4,482*	*2,921*	*0*	*1,560*	*1,731*	*361*
2. Brand name	**5,224**	**0**	**0**	**1,825**	**0**	**3,399**	**1,359**	**1,825**	**2,039**	**2,039**	**0**
Previous year	*5,244*	*0*	*0*	*0*	*0*	*5,224*	*3,184*	*0*	*2,039*	*3,378*	*2,495*
3. Payments on account	**723**	**431**	**0**	**237**	**0**	**917**	**0**	**0**	**917**	**723**	**0**
Previous year	*0*	*713*	*0*	*0*	*9*	*723*	*0*	*0*	*723*	*0*	*0*
	10,428	**817**	**475**	**3,301**	**0**	**7,469**	**3,023**	**2,891**	**4,446**	**4,322**	**283**
Previous year	*9,869*	*850*	*355*	*0*	*64*	*10,428*	*6,106*	*0*	*4,322*	*5,108*	*1,856*
II. Property, plant, and equipment											
1. Land, land rights, and buildings including buildings on third party land	**133,315**	**68,694**	**112**	**18,026**	**34**	**183,905**	**30,052**	**16,436**	**153,853**	**91,375**	**4,643**
Previous year	*134,806*	*809*	*2,314*	*0*	*14*	*133,315*	*41,940*	*0*	*91,375*	*92,907*	*2,849*
2. Other fixtures and fittings, tools, and equipment	**21,854**	**437**	**444**	**9,566**	**0**	**12,282**	**9,251**	**8,445**	**3,031**	**4,739**	**1,004**
Previous year	*23,296*	*841*	*2,419*	*0*	*136*	*21,854*	*17,115*	*0*	*4,739*	*6,152*	*3,222*
3. Payments on account and assets under construction	**84**	**205**	**0**	**3**	**-34**	**252**	**0**	**0**	**252**	**84**	**0**
Previous year	*247*	*50*	*0*	*0*	*-214*	*84*	*0*	*0*	*84*	*247*	*0*
	155,253	**69,336**	**555**	**27,594**	**0**	**196,439**	**39,303**	**24,882**	**157,136**	**96,198**	**5,647**
Previous year	*158,349*	*1,701*	*4,733*	*0*	*-64*	*155,253*	*59,055*	*0*	*96,198*	*99,306*	*6,071*
	165,681	**70,153**	**1,030**	**30,896**	**0**	**203,908**	**42,326**	**27,773**	**161,583**	**100,520**	**5,930**
Previous year	*168,219*	*2,551*	*5,088*	*0*	*0*	*165,681*	*65,160*	*0*	*100,520*	*104,414*	*8,927*

*) WL=WORMLAND

**) Afa=depreciations, the previous year's depreciation include the depreciation on assets of WORMLAND

Property, plant, and equipment

Rights of use from leasing agreements

The rights of use under leasing agreements which were to be recognised for the first time as of 1 January 2019 in accordance with IFRS 16 were each reported in the additions column of the development of consolidated fixed assets under the item land, land rights, and buildings including buildings on third party land amounting to € 68,161k and under the item other fixtures and fittings, tools, and equipment amounting to € 100k. As of 31 December 2019, these rights of use are composed as follows:

		Residual term		
	Sum total	up to 1 year	1 – 5 years	over 5 years
	€k	€k	€k	€k
1. Land, land rights, and buildings including buildings on third party land	64,872	3,289	12,847	48,735
2. Other fixtures and fittings, tools, and equipment	64	36	28	0
Property, plant, and equipment	**64,936**	**3,325**	**12,876**	**48,735**

Land, land rights, and buildings, including buildings on third party land

Buildings are depreciated over their expected useful lives of 25–40 years (pro-rata temporis) using the straight-line method. Improvements are depreciated by all Group companies (pro-rata temporis) over a customary useful life span of 10–20 years or shorter lease terms as the case may be, using the straight-line method.

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. As of the date of acquisition within the scope of initial consolidation, the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k (December 31, 2019: € 1,372k). For the valuation of land at the initial consolidation of Feldmeier GmbH & Co. Betriebs KG hidden reserves amounting to € 66,661k were uncovered. For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and. The development of guideline land prices between 1998 and 2000 was considered. The carrying value determined in 2001 was maintained until December 31, 2019 without changes.

The property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 28,590k (previous year. € 30,273k).

Other real estates

The LUDWIG BECK Group also owns a logistics and operations centre in Haar near Munich as well as two properties in Hanover, which are rented to WORMLAND within an operating lease agreement.

The development of these properties, which are reported under item II.1 " Land, land rights, and buildings including buildings on third party land", is as follows:

	As of 1/1/2019 *1/1/2018*	**Addition**	**Disposal**	**Reclassification**	**As of 12/31/2019** *12/31/2018*	**Cumulative Depreciation**	**Book Value 12/31/2019** *12/31/2018*	**Book Value 12/31/2018** *12/31/2017*	**Depreciation 2019** *2018*
	T€	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**
Properties rented out under operating leases	**4,524**	**0**	**0**	**0**	**4,524**	**272**	**4,252**	**4,311**	**59**
Previous year	*4,524*	*0*	*0*	*0*	*4,524*	*213*	*4,311*	*4,370*	*59*

There are no restrictions on disposal or encumbrances in respect of these properties.

Other fixtures and fittings, tools, and equipment
The assets listed under this item are basically depreciated (pro-rata temporis) over a useful life of 3 to 10 years using the straight-line method.

Payments on account and assets under construction amounted to € 252k (previous year: € 84k) as per December 31, 2019.

(2) Other assets (long-term)

Other long-term assets are concerning long-term deferred items.

(3) Inventories

Inventories consist of the following items:

	12/31/2019	12/31/2018
	€k	€k
Raw material and supplies (at cost)	134	283
Merchandise (at cost)	13,293	22,573
Less impairment of merchandise	-1,096	-1,968
Inventories	**12,331**	**20,888**

The usual retention of title until complete payment for the merchandise applies to all disclosed inventories. It can be expected that most inventory items will be sold within the next 12 months.

Up until the date of inventory taking actual inventory, discrepancies were taken into account for stock determination. Between the date of inventory taking and December 31, 2019, goods on hand per department were reduced by a deduction for wastage based on the average of the last three years. This deduction led to a valuation allowance of € 222k (previous year: € 384k). All merchandise was carried at cost fewer value allowances. Appropriate deductions on the lower realizable net value were made for stocks of reduced saleability (marketability). In addition, lump-sum reductions for cash discounts were recognized. In the Fiscal Year, write-down amounted to € 1,096k (previous year: € 1,968k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

In the reporting period, merchandise in the amount of € 41,419k (previous year: € 41,621k) for the continued operations was carried as expense (cost of goods sold before adjustment of valuation allowance on net realizable value).

In the previous year, inventories of WORMLAND in the amount of € 8,416k (after write-downs) were included.

(4) Receivables and other assets (short-term)

Receivables and other assets comprise the following items:

	12/31/2019	12/31/2018
	€k	€k
Trade receivables	605	1,404
Other assets	1,793	1,649
Deferred item	145	196
Receivables and other assets (short-term)	**2,543**	**3,249**

The disclosed carrying amounts correspond to market values. All maturities are within one year. There are no risks of default as per the relevant date.

In the previous year, receivables and other assets of WORMLAND in the amount of € 814k were included.

Trade receivables (short-term)
Trade receivables contain the following items:

	12/31/2019	12/31/2018
	€k	€k
Total receivables	616	1,424
Less allowances	-11	-20
Inventory of receivables	**605**	**1,404**

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)
Other short-term assets consist of the following items:

	12/31/2019	12/31/2018
	€k	€k
Debit-side creditors	219	418
Receivables due from tax authorities	895	425
Receivables due from suppliers	292	297
Other	386	510
Other assets (short-term)	**1,793**	**1,649**

Deferred item
The deferred item concerns various expenses representing costs incurred for a specific period after the consolidated balance sheet date.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances.

Cash and cash equivalents contain the following items:

	12/31/2019	12/31/2018
	€k	€k
Cash-in-hand	396	1,351
Bank balances	243	327
Cash and cash equivalents	**639**	**1,678**

Bank balances were not subject to interest as of the relevant date. Cash-in-hand is not interest-bearing. There are no hedging activities.

In the previous year, cash and cash equivalents of WORMLAND in the amount of € 851k were included.

(6) Shareholders’ equity

As regards the presentation of changes in shareholders’ equity in the Fiscal Year 2019, we refer to the equity statement.

The company’s capital management objectives focus mainly on:

- Safeguarding financing and liquidity on an ongoing basis,
- Ensuring befitting credit rating, and
- Procuring adequate interest on equity.

The principal objective of capital management is the control of liquid funds and debt capital. In contrast, the provision of sufficient liquidity at any time for the financing of planned investments and the ongoing business is paramount.

The Group monitors equity by means of various equity key figures such as equity ratio and returns on equity. The equity ratio is determined by putting economic equity concerning the balance sheet total. Economic equity of the LUDWIG BECK Group corresponds to balance sheet equity. Neither LUDWIG BECK AG nor any of its consolidated subsidiaries are subject to external minimum capital requirements.

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as per December 31, 2019 (December 31, 2018: 3.695.000). The no-par shares are issued to bearer and represent an imputed € 2.56 share of the equity capital each. The share capital was fully paid up. In Fiscal Year 2019, 3,695,000 shares were outstanding on average. All ordinary shares are entitled to the profit distribution to be resolved by the General Meeting. No dividend payment was made in Fiscal Year 2019 due to the negative consolidated net income.

In the Fiscal Year, the subscribed capital amounted to € 9,446k (previous year: € 9,446k).

Shareholder structure

According to the company's knowledge, the shareholder structure of LUDWIG BECK AG as of December 31, 2019, is as follows:

	%
INTRO-Verwaltungs GmbH, Reichenschwand	49.2%
Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand	25.7%
OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG, Cologne	5.0%
Rheintex Verwaltungs AG, Cologne	3.0%
Minority shareholders (holdings below 3%)	17.1%

Notifications pursuant to Section 21 (former version) resp. Section 33 Par. 1 (new version) German Securities Trading Law (WpHG)

Indirect and direct shareholdings

OST-WEST Beteiligungs- und Grundstücksverwaltungs AG, Cologne, reported on June 18, 2009, that it exceeded the 5% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 5.007% at that date. This corresponds to 185,000 votes, 4.87% (180,000 votes) of which are attributable to subsidiaries.

Direct shareholding

Rheintex Verwaltungs AG, Cologne, reported on June 22, 2009, that it exceeded the 3% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 3.019% at that date. This corresponds to 111,550 votes.

Direct shareholding

INTRO-Verwaltungs GmbH, Reichenschwand, reported on December 23, 2010, that it fell below the 50% threshold of voting rights in LUDWIG BECK AG on December 22, 2010, and held 49.19% at that date. This corresponds to 1,817,605 votes.

Direct shareholding

Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 votes.

Indirect shareholding

Hans Rudolf Wöhrl Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 voting rights.

Indirect shareholding

Hans Rudolf Wöhrl Beteiligungs GmbH, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 voting rights.

In the Fiscal Year 2019, LUDWIG BECK AG did not receive any notifications pursuant to Section 21 (former version) resp. Section 33 (new version) Par. 1 German Securities Trading Law (WpHG).

Capital reserve

The development of capital reserve is shown in the equity statement. The capital reserve serves to secure the long-term financing of the company.

Accumulated profit

The development of accumulated profit is shown in the equity statement. Accumulated profit serves to secure the short-term and long-term financing of the company.

Compensation claims resulting from limited partners' interests of other shareholders are basically to be classified as debt capital, according to IAS 32.18 (b) (cf. explanations in clause (7) below).

(7) Compensation claim for other shareholders

The compensation claim for other shareholders of Feldmeier GmbH & Co. Betriebs KG is subject to the provisions set forth in the company agreement. The amount of the compensation claim is calculated on the basis of the market value of the relevant shares. In contrast, the carrying amount of the market value of the Marienplatz property was determined in the company agreement. Furthermore, the agreement provides that the company shall be entitled to set off payment claims against a withdrawing shareholder against this shareholder's compensation balance, if any, at any time. In the year under report, the following calculation was made:

	12/31/2019	12/31/2018
	€k	€k
Assumed market value of Feldmeier GmbH & Co. Betriebs KG for the purpose of computing a potential compensation claim according to the company agreement	87,072	87,069
Other shareholders' interest (14.06%)	12,242	12,242
Receivables from other shareholders	-15,659	-15,617
Compensation claim for other shareholders	**-3,417**	**-3,375**

Since receivables from the other shareholder exceed its share in the market value of the company, no compensation obligation had to be entered into the balance sheet.

According to the provisions outlined in the company agreement, the other shareholder is generally not obligated to settle the aforementioned receivables – with the exception of the aforementioned setoff option. Therefore, LUDWIG BECK cannot claim receivables from the other shareholder on account of this excess.

(8) Accruals

The following details on formed accruals are provided in accordance with IAS 37:

	As of 1/1/2019	Utilization	Disposal WORMLAND	Addition	As of 12/31/2019
	€k	€k	€k	€k	€k
Repair and maintenance obligation	2,186	0	1,076	201	1,311
Previous year	*2,176*	*0*	*0*	*10*	*2,186*
Pension commitments	563	0	0	381	944
Previous year	*545*	*0*	*0*	*18*	*563*
Obligation from accepted legacy	753	111	0	0	642
Previous year	*943*	*190*	*0*	*0*	*753*
Total accruals	**3,502**	**111**	**1,076**	**582**	**2,897**
Previous year	*3,664*	*190*	*0*	*28*	*3,502*

Repair and maintenance obligations

After the disposal of WORMLAND, accruals still concern repair and maintenance obligations from a rental agreement. They concern deconstruction obligations upon termination of this rental agreement. The amounts of the obligation were estimated for the anticipated dates of performance. The values set down in the expert opinions were extrapolated based on an average construction cost increase and discounted at a normal market rate. Unless this estimation is to be adjusted in the coming years, the accruals will be compounded proportionally.

Utilization is scheduled for the relevant determination date of the underlying rental agreement (residual term 29 years).

In the previous year, repair and maintenance obligations of WORMLAND in the amount of € 1,076k were included.

Pension commitments

Accruals for pension commitments are established for employee benefit schemes providing for retirement, disability, and surviving dependents' benefits if the pension plan is to be qualified as a performance-oriented plan according to IAS 19R.

Pension accruals for defined benefit plans are determined in accordance with the internationally accepted "projected unit credit method" pursuant to IAS 19R. Future pension commitments are measured on the basis of the prorated acquired entitlements as of the balance sheet date.

In these present consolidated financial statements, the company reports pension commitments in line with the provisions of IAS 19R. Accordingly, so-called actuarial profits and losses are recognized directly under shareholders' equity pursuant to IAS 19R. Furthermore, the company paid premiums to an external insurance company, which will make payments in the event giving rise to benefits. This insurance policy is to be qualified as a plan asset. On account of the aforementioned transfer of pension liabilities to a pension fund, LUDWIG BECK assumes that the Group won't have any payment obligations when pension benefits fall due.

The cash value of the pension commitment and the fair value of the plan assets have developed as follows in the Fiscal Year:

	12/31/2019	12/31/2018
	€k	€k
Cash value of pension commitments as of 1/1	3,053	3,054
Interest costs	57	57
Retirement benefits	-103	-103
Actuarial profits (-) / losses (+) to be accounted for directly in equity	406	45
Cash value of pension commitments as of 12/31	3,413	3,053
Carrying amount of pension commitments before offsetting	**3,413**	**3,053**

	12/31/2019	12/31/2018
	€k	€k
Cash value of plan assets as of 1/	-2,489	-2,508
Return on plan assets	-81	-82
Payments from plan assets	102	104
Actuarial profits (-) / losses (+)	-1	-3
Cash value of plan assets as of 12/31	**-2,469**	**-2,489**
Remaining difference as of 12/31	**944**	**563**

The cash values of pension commitments amounted to € 3,054k as of December 31, 2017, and to € 2,975k as of December 31, 2016, the cash values of plan assets to € 2,508k respectively € 2,362k.

The following actuarial assumptions form the basis for the determination of the balance sheet value of the commitments:

	2019	2018
Discount factor	1.05%	1.90%
Pension trend	1.00%	1.00%

The “2018 G Reference Tables” by Klaus Heubeck served as a biometric basis for the relevant calculations.

Actuarial profits and losses resulting from asset changes and deviations of the actual trends (e.g. interest rate variations) from the original calculation parameters.

A change of the actuarial rate by +0.5% percentage points would result in a cash value decrease of benefit commitments to € 3,175k, a change by -0.5% percentage points would raise the cash value of benefit commitments to € 3,685k.

A 7.5% pension trend adjustment every 15 years would reduce the cash value of benefit commitments to € 3,136k, a 7.5% adjustment every five years would raise the cash value of benefit commitments to € 3,653k.

The company expects service costs in the amount of € 0k and interest costs in the amount of € 35k as well as plan asset yields in the amount of € 79k for the Fiscal Year 2020. No contributions to plan assets have been made since December 1, 2017. The weighted average term of benefit commitments is 15.03 years.

Obligation from accepted legacy
By accepting the legacy of a late shareholder, LUDWIG BECK incurred contractual obligations towards the surviving relatives of this former shareholder, which amounted to € 420k (previous year: € 531k) as per December 31, 2019. In return, the LUDWIG BECK Group received the shareholder’s interest in Feldmeier GmbH & Co. Betriebs KG.

Of the total amount of € 642k, the sum of € 120k is expected to be utilized within twelve months. Furthermore, prorated utilization can be expected until the year 2023.

(9) Liabilities

As of the balance sheet date, liabilities are composed as follows:

			Residual term	
	Sum total	**up to 1 year**	**1 – 5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
1. Financial liabilities	106,742	16,570	76,492	13,680
Previous year	*36,019*	*6,835*	*14,596*	*14,588*
2. Trade liabilities	1,058	1,058	0	0
Previous year	*2,368*	*2,368*	*0*	*0*
3. Tax liabilities	29	29	0	0
Previous year	*25*	*25*	*0*	*0*
4. Other liabilities	4,431	4,431	0	0
Previous year	*8,004*	*8,004*	*0*	*0*
– tax-related: € 1,472k (previous year: € 2,706k)				
– social security-related: € 3k (previous year: € 8k)				
12/31/2019	**112,260**	**22,088**	**76,492**	**13,680**
Previous year	*46,416*	*17,232*	*14,596*	*14,588*

In the previous year, liabilities of WORMLAND in the amount of € 6,589k were included.

In connection with the aforementioned financial liabilities, the following contractually agreed interest payments would have to be made in the coming years:

	Residual term			
	Sum total	up to 1 year	1 – 5 years	over 5 years
	€k	€k	€k	€k
Loan interests	1,611	615	943	52
Previous year	*2,269*	*658*	*1,395*	*216*

€ 24,702k of financial liabilities in the aggregate amount of € 106,742k were applied to financing the "Marienplatz" property. The liabilities are secured as follows:

	€k
Land charges SIGNAL Krankenversicherung a.G.	10,394
Land charges UniCredit Bank AG	14,308
Assignment of rents to SIGNAL Krankenversicherung a.G.	4,414

Another loan liability of LUDWIG BECK AG is secured as follows:

Land charges UniCredit Bank AG € 3,889k

The other liabilities are not secured as of December 31, 2019.

9 a) Financial liabilities (long-term)
Long-term financial liabilities are composed as follows:

	12/31/2019	12/31/2018
	€k	€k
Loan SIGNAL Krankenversicherung a.G.	9,575	10,394
Loan UniCredit Bank AG	17,298	18,197
Leasing	63,023	0
Other loans	276	304
Financial liabilities (long-term)	**90,172**	**28,894**

Loans do not contain any loan derivatives (structured products) that have to be split off or valued separately.

Long-term financial liabilities are carried at amortized cost, which in the present case, equal the repayment amounts. Interest rates ranged between 1.15% and 4.17% in the year under report.

The other loans have terms of up to 5 years and are subject to an interest rate ranging between 3.00% and 3.50%.

The fair value of the long-term financial liabilities amounted to € 91,499k (previous year: € 29,643k) as per the balance sheet date.

9 b) Financial liabilities (short-term)
Short-term financial liabilities consist of the following items:

	12/31/2019	12/31/2018
	€k	€k
Current account liabilities	12,089	5,240
Loan UniCredit Bank AG	899	897
Loan SIGNAL Krankenversicherung a.G.	818	785
Leasing	2,656	71
Other loans	108	132
Financial liabilities (short-term)	**16,570**	**7,125**

As of December 31, 2019, the current account and guarantee credit facilities granted by banks amounted to € 43,000k, in aggregate. They were subject to interest at market rates when utilized.

Short-term financial liabilities are recognized at repayment value.

The interest rates for short-term financial liabilities ranged between 0.85% and 4.17% in the year under report.

Summarized Presentation of long-term and short-term liabilities from finance leasing

				Residual term
	Sum total	up to 1 year	1–5 years	over 5 years
	€k	€k	€k	€k
1. Minimum lease payments	85,166	4,133	16,127	64,906
Previous year	*71*	*71*	*0*	*0*
2. Interests and administrative costs	19,487	1,477	3,976	14,033
Previous year	*1*	*1*	*0*	*0*
3. Redemption (cash value of leasing liabilities)	65,679	2,655	12,151	50,873
Previous year	*71*	*71*	*0*	*0*

These leases are concerning shop fittings qualifying as financing leases contracts under IFRS 16 (formerly IAS 17). Operating leasing agreements mainly concern the Group's rental agreements reported under other financial commitments. No acquisition options were agreed within the framework of operating leasing contracts.

9 c) Trade liabilities (short-term)

Trade liabilities in the amount of € 1,058k (previous year: € 2,368k) are carried at their repayment values. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are generally paid within ten days to benefit from cash discounts, whereas the credit period is generally 60 days.

9 d) Other liabilities (short-term)

	12/31/2019	12/31/2018
	€k	€k
Wage and sales taxes	1,472	2,706
Purchase vouchers	1,173	1,825
Personnel expenses	614	1,011
Year-end closing and tax declaration costs	131	220
Other accrued liabilities	1,041	2,242
Other liabilities (short-term)	**4,431**	**8,004**

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 29k (previous year: € 25k) as of December 31, 2019.

(10) Deferred taxes (assets-side and liabilities-side)

Deferred taxes are attributable to the following consolidated balance sheet items or matters:

	12/31/2019		12/31/2018	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
Brand name “LUDWIG BECK“		673		673
Land		361		361
Buildings		54		60
Accruals	625		263	
Sonstiges	21		22	
Other	**646**	**1,088**	**285**	**1,094**
Net balance of deferred taxes	-646	-646	-285	-285
Sum total according to the consolidated balance sheet	**0**	**442**	**0**	**809**

With the exception of the categories brand name “LUDWIG BECK” and land, deferred taxes have resulted exclusively from temporary taxable differences between the tax balance sheet and the IFRS balance sheet of the respective company concerned (IAS 12.15). These temporary differences and hence the deferred taxes will be released over the corresponding periods (until the recognition of the respective asset or liability).

Deferred tax liabilities were formed for a “quasi-permanent” difference between the valuation of the land in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the IFRS balance sheet. The sale of the real estate company has been considered as the most probable realization proposition.

Deferred tax liabilities were also formed for the “quasi-permanent” difference in recognition of the enterprise value “LUDWIG BECK” in the IFRS balance sheet and the tax balance sheet.

The residual terms of the accrual-related deferred items formed for both these “quasi-permanent” differences exceed 12 months.

The balance sheet item for deferred taxes relating to accruals includes assets-side deferred taxes in the amount of € 311k (previous year: € 186k) attributable to income and expenses directly entered in equity.

II. Consolidated Statement of Comprehensive Income

(11) Sales revenue

	2019	2018
	€k	€k
Sales revenue	95,272	95,534

Sales revenue is explained in more detail in the segment reporting section. With the exception of an amount totaling € 360k (previous year: € 340k), all net sales of the LUDWIG BECK Group were generated in Germany.

Sales revenues include rental income from operating leases amounting to € 281k.

(12) Other own work capitalized

In the Fiscal Year 2019, other own work capitalized amounted to € 39k (previous year: € 28k). This item concerns personnel expenses incurred during refurbishing works at the department store at Marienplatz.

(13) Other operating income

Other operating income consists of the following items:

	2019	2018
	€k	€k
Rental income	1,203	1,307
Sales proceeds	769	776
Personnel earnings	561	495
Cafeteria earnings	343	368
Aperiodic income	519	369
Other income	357	353
Other operating income	**3,752**	**3,668**

(14) Cost of materials

	2019	2018
	€k	€k
Cost of merchandise	41,483	41,640

The expenses carried under this item contain merchandise at cost fewer discounts received as well as changes in opening and closing stock and reductions due to lack of saleability.

(15) Personnel expenses

	2019	2018
	€k	€k
Wages and salaries	14,746	14,677
Social security contributions	2,565	2,560
Pension costs	134	120
Personnel expenses	**17,445**	**17,357**

Pensions

The company has set up so-called contribution-oriented and performance-oriented pension schemes (IAS 19R) for employees of the LUDWIG BECK Group.

These are divided into three groups:

a) Pension schemes for all employees of LUDWIG BECK

As of January 1, 2001, employees have the possibility to apply for inclusion in the union-agreed pension scheme after 6 months of service.

For employees who joined the company before March 31, 2000, the pension scheme is a direct insurance agreement concluded with an independent third party (with complete reinsurance cover). For employees who joined the company after March 31, 2000, contributions are paid into a pension fund.

The scheme is financed by employer contributions which are expensed to the consolidated profit and loss account.

Employees who joined the company before March 31, 2000, are older than 25 and have worked for the company for a minimum of 5 years receive a voluntary pension promise by LUDWIG BECK against which union-agreed pension claims are offset.

The scheme qualifies as a contribution-oriented plan within the meaning of IAS 19R.

The costs of these pension commitments amounted to € 134k in 2019 (previous year: € 120k).

A total of 284 (previous year: 300) employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

LUDWIG BECK gave two former members of the Executive Board pension promises. This commitment qualifies as a performance-oriented plan within the meaning of IAS 19R.

Expenses for pension obligations are explained in clause (8).

(16) Depreciation

For details concerning the composition of depreciation and amortization of intangible assets and property, plant, and equipment, please refer to the fixed asset schedule.

(17) Other operating expenses

Other operating expenses comprise the following items:

	2019	**2018**
	€k	**€k**
Rental expenses	17	4,003
Other occupancy costs	2,229	2,071
Administrative expenses	2,049	1,769
Sales expenses	4,609	4,707
Other personnel expenses	2,047	1,219
Insurance/contributions	232	222
Other taxes	121	121
Other	747	575
Other operating expenses	**12,051**	**14,687**

No aperiodic expenses were recorded in the Fiscal Year and the previous year. With the first-time application of IFRS 16, no rental expenses were reported as of January 1, 2019.

(18) Financial result

	2019	**2018**
	€k	**€k**
Interest income	82	86
Interest expenditure	2,410	851
Financial result	**-2,328**	**-769**

Interest income basically concerned interest received on plan assets in the amount of T 82k (previous year € 82k). The interest portion of interest expenditure relating to pension commitments was € 57k (previous year: € 57k). The first-time application of IFRS 16 resulted in interest expenses of € 1,528k in the Fiscal Year.

(19) Taxes on income

	2019	**2018**
	€k	**€k**
Current taxes on income	1,436	1,895
Other deferred tax income (-) / tax expense (+)	-234	2
Income tax expenses	**1,202**	**1,897**

Deferred tax income / tax expense	2019	2018
	T€	T€
From the accounting of financing leases pursuant to IFRS 16	-245	0
From temporary differences in accounting for buildings	3	-6
From temporary differences in accounting for pension accruals	8	8
Total deferred tax income (-) / tax expense (+)	**-234**	**2**

The following table reflects the transition from tax expenses or yields calculated based on the Group-specific tax rate of 32.975% (corporate tax, solidarity surcharge, trade tax), and the tax expenses or yields carried in the IFRS-compliant consolidated financial statements:

	2019	2018
	€k	€k
Earnings before taxes on income	4,631	1,083
Nominal Group-specific tax rate in %	32.975	32.975
Arithmetic tax expense	1,527	357
Changes in arithmetic tax expense:		
– Tax rate differences from real estate companies of the LUDWIG BECK Group	-636	-662
– Tax rate difference from the WORMLAND subgroup	0	1,093
– Deviating basis for tax assessment	346	314
– Other	-35	-55
Actual tax expense	**1,202**	**1,897**

(20) Earnings after taxes from discontinued operations

In the consolidated statement of comprehensive income, revenues, earnings, and expenses of the WORMLAND subgroup were eliminated from the individual items and reported as a net amount in a separate "Profit after tax from discontinued operations" reporting line. This is made up as follows:

	2019	2018
	€k	€k
Revenues and income	17,482	60,324
Expenses	19,687	66,099
Earnings before taxes	**-2,205**	**-5,775**
Taxes on income	0	0
Earnings after taxes	**-2,205**	**-5,775**
Losses from deconsolidation	-14,813	0
Earnings after taxes from discontinued operations	**-17,018**	**-5,775**

(21) Income and expenses directly entered in equity

Income and expenses directly entered inequity are subject to the following deferred tax expenses or income:

	2019	2018
	€k	€k
Net pension commitment		
– Income (+) / expense (-)	-405	-42
– Deferred tax income (-) / tax expense (+)	-133	-14
Net income (+) / net expense (-)	-272	-28
Sum total of income (+) and expenses (-) directly entered in equity	**-272**	**-28**

(22) Explanations to earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing consolidated net profit by the weighted average number of shares issued during the period under review.

Earnings per share

	2019	2018
Consolidated net loss in €k	-1,590	-813
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	**-3.68**	**-0.22**

Undiluted and diluted earnings are identical.

The breakdown of earnings per share for continued and discontinued operations is shown in the consolidated statement of comprehensive income.

Dividend proposal

The Executive Board has proposed to distribute no dividend for the 2019 Fiscal Year.

D. EXPLANATIONS TO SEGMENT REPORTING

The following segment reporting complies with IFRS 8 “Operating Segments”, which defines the requirements for reporting on the financial results of a company’s operating segments. The applied method is the so-called “Management Approach“, which requests a company to present segment information based on the Internal Reports that are regularly reviewed by the so-called “Chief Operating Decision Maker” for the purpose of deciding on the allocation of resources to individual segments and performance assessment.

The disposal of the shares in WORMLAND as of April 30, 2019, has a considerable impact on the assets, financial, and earnings situation of LUDWIG BECK's continued operations. As the "non-textile" subdivision will again be more significant as a proportion of total sales, segment reporting will again be divided into "textile" and "non-textile". These segments were already reported prior to the acquisition of WORMLAND (May 12, 2015).

In the 2019 Fiscal Year, the Group figures to be segmented are split among the individual segments as follows:

	LUDWIG BECK	Textile	Non-textile
	€k	€k	€k
Gross sales	**95,272**	**68,007**	**27,275**
Previous year	*95,534*	*68,151*	*27,383*
VAT	-15,195	-10,847	-4,349
Previous year	*-15,235*	*-10,889*	*-4,346*
Net sales	**80,077**	**57,160**	**22,917**
Previous year	*80,299*	*57,263*	*23,037*
Cost of sales (without discounts, rebates etc.)	-42,684	-29,695	-12,989
Previous year	*-42,815*	*-29,408*	*-13,407*
Gross profit	**37,393**	**27,465**	**9,928**
Previous year	*37,484*	*27,855*	*9,629*
Personnel expenses of sales	-7,660	-4,578	-3,082
Previous year	*-7,945*	*-4,667*	*-3,278*
Calculatory occupancy costs	-12,649	-10,414	-2,235
Previous year	*-12,665*	*-10,312*	*-2,353*
Calculatory interests	-1,310	-864	-446
Previous year	*-1,280*	*-821*	*-459*
Segment result	**15,757**	**11,609**	**4,165**
Previous year	*15,554*	*12,055*	*3,539*
Discounts, rebates, etc. on the cost of sales	1,201		
Previous year	*1,175*		
Other operating income and expenses	4,389		
Previous year	*1,675*		
Other personnel expenses	-9,785		
Previous year	*-9,412*		
Depreciation	-5,930		
Previous year	*-2,685*		
Other financial result	-2,001		
Previous year	*-449*		
Taxes on income	-1,202		
Previous year	*-1,897*		
Earnings after taxes from continued operations	**3,429**		
Previous year	*4,962*		

	LUDWIG BECK	Textile	Non-textile
	€k	€k	€k
Segment assets			
Inventories	12,197	7,497	4,860
Previous year	*12,364*	*7,597*	*4,857*
Segment assets total	**12,197**	**7,497**	**4,860**
Previous year	*12,364*	*7,597*	*4,857*

E. EXPLANATIONS TO CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's liquid funds changed during the year under review as a result of inflows and outflows of cash. In accordance with IAS 7 (Cash Flow Statements), the company distinguishes between cash flows from operating, investing, and financing activities. The liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

As part of the deconsolidation of WORMLAND, control over the following assets and liabilities was given up:

	€k
Intangible assets	410
Tangible assets	2,712
Inventories	8,416
Trade receivables and other assets	814
Financial liabilities	-2,531
Other liabilities	-4,058
Provisions	-1,076

Cash and cash equivalents within the meaning of IAS 7.6. et seq. equal the sum of cash-in-hand and short-term bank balances.

As per December 31, 2019, LUDWIG BECK Group has access to framework credit facilities of € 43,000k. Approximately 37% of said facilities have been utilized for bank guarantees and short-term bank loans.

F. EXPLANATIONS TO CONSOLIDATED EQUITY STATEMENT

The equity statement reflects the changes to the Group's individual equity items in the course of the year under review. The presentation is in accordance with IAS 1.

G. OTHER DETAILS

I. Contingent liabilities, contingent receivables

1. Contingent liabilities

In addition to actual commitments covered by accruals, there are no probably occurring commitments depending on future events.

2. Contingent receivables

There are no contingent receivables to be disclosed pursuant to IAS 37.

II. Other financial commitments

All rental agreements had to be accounted for due to the mandatory implementation of IFRS 16. As a result, they are no longer reported as other financial commitments.

The Group is bound by a purchase order commitment for merchandise in the value of € 8,790k (previous year: € 9,972k).

III. Leasing

The accounting principles for assets and liabilities for leases are described in section B. IV. 5.

Leasing agreements where LUDWIG BECK acts as lessee

The development of rights of use assets from leasing agreements in which LUDWIG BECK acts as the lessee is shown in section C. I. (1).

	2019
	€k
Depreciation for the Fiscal Year	
Land, land rights and buildings including buildings on third party land	3,289
Other fixtures and fittings, tools and equipment	36
Addition for the Fiscal Year	
Land, land rights and buildings including buildings on third party land	0
Other fixtures and fittings, tools and equipment	0
Interest expense	1,528
Total payments for financial leases	4,109

The development of leasing liabilities from leasing agreements in which LUDWIG BECK acts as lessee is shown in section C. I. 9b).

Operating leasing agreements where LUDWIG BECK acts as lessor

The development of real estate rented out under operating leases from leasing agreements in which LUDWIG BECK acts as lessor is described in section C. I. (1).

Future payments due under operating leases

Due date in	2020	2021	2022	2023	2024	over 5 years
	€k	€k	€k	€k	€k	€k
Nominal value	281	281	250	244	244	1,425

IV. Declaration of conformity according to Section 161 Joint Stock Corporation Act (AktG) (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG issued the Declaration of Conformity according to Section 161 Joint Stock Corporation Act (AktG) on September 10, 2019.

The Declaration of Conformity has been made permanently available to shareholders at the company's Internet site in the section Investor Relations under the menu item Corporate Governance on the page Declaration of Compliance.

V. Relations to related companies and persons

The following lists the companies and persons related to the Group pursuant to IAS 24.

Executive Board:

Christian Greiner, Chairmen, Businessman
Jens Schott, Businessman (as of September 1, 2019)
Dieter Münch, Businessman (until August 31, 2019)

The total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for their work in the 2019 Fiscal Year amounted to € 1,238k (previous year: € 1,250k).

As of December 31, 2019, the members of the Executive Board held 16,000 shares (previous year: 16,000; purchased: 8,000; sold: 8,000).

Individual details of Executive Board remuneration are included in the Remuneration Report section of the consolidated management report.

Supervisory Board:

Dr. Steffen Stremme, Chairmen, Businessman, Erlangen
Sandra Pabst, Vice Chairwoman, Managing Director, Nuremberg
Clarissa Käfer, Tax Consultant and Lawyer, Munich
Dr. Bruno Sälzer, Businessman, Grünwald
Michael Eckhoff, Department Manager, Munich*) (as of August 30, 2019)
Michael Neumaier, Commercial Clerk, Grafrath*)
Jochen Vöcker, Purchasing Manager, Hanover*) (until April 30, 2019)

*) Employee representative

The total remuneration of the Supervisory Board in the Fiscal Year 2019 amounted to € 202k (previous year: € 208k).

In the 2019 fiscal year, transactions with related parties took place only to an insignificant extent. All transactions with related parties were made at arm's length.

The following members of the Executive Board and Supervisory Board hold seats on supervisory boards or similar executive bodies of further companies:

Mr. Christian Greiner

Supervisory Board Chairman:	Rudolf Wöhrl SE, Nuremberg
Supervisory Board:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Advisory Board:	Bültel International Fashion Group, Salzbergen
	Deutsche Bank AG, Advisory Board for Bavaria

Mr. Dieter Münch (until August 31, 2019)

Advisory Board:	DIMA Finanzierungs- und Immobilientreuhand GmbH, Berlin

Dr. Steffen Stremme

Supervisory Board:	BU-Holding AG, Nuremberg
Advisory Board:	menzerna polishing compounds GmbH & Co. KG, Ötigheim

Mrs. Sandra Pabst

Supervisory Board:	AURUM-Project AG, Reichenschwand
	Curameo AG, Reichenschwand

Mrs. Clarissa Käfer

Supervisory Board Chairwoman:	Käfer AG, Parsdorf
Supervisory Board:	Münchner Bank eG, Munich
Member of the Board of Trustees:	Bayrische Sportstiftung, Munich
Advisory Board:	Stadtfeuerwehrverband München e.V., Munich

Dr. Bruno Sälzer

Supervisory Board Chairman:	Amer Sports Corp., Helsinki

Supervisory Board:	Lacoste Holding NG, Paris
Advisory Board:	Deichmann SE, Essen

As in the previous year, the members of the Supervisory Board held no shares as of December 31, 2019, in LUDWIG BECK AG.

VI. Supplementary Report

There were no significant events to report after the balance sheet date of 31 December 2019 that could have an impact on the Group's financial, assets, and earnings situation.

VII. Audit fees

The fee of the auditor for the lapsed the Fiscal Year 2019 € 113k (previous year: € 136k).

The fee for the audit of the consolidated financial statements, the annual financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, the annual financial statements of THEO WORMLAND GmbH & Co. KG, as well as audit reviews carried out for subsidiaries, amounted to € 98k (previous year: € 125k). The amount incurred for tax consulting was € 3k (previous year: € 5d) and for other services € 12k (previous year: € 6k).

VIII. Personnel

	2019	**2018**
Full-time	150	162
Part-time	158	157
Temporary	134	137
	442	**455**

Apprentices were not included in the calculation.

IX. Information according to Section 297 Par. 2 Commercial Code (HGB)

The Executive Board issued the statutory declaration required by Section 297 Par. 2 Commercial Code (HGB).

Munich, February 28, 2020

The Executive Board

Christian Greiner Jens Schott

3 Consolidated *Management Report*

I. Group Fundamentals

1. BUSINESS ACTIVITY

The Munich Fashion Group LUDWIG BECK operates a retail textile business in the medium and premium price segments. The offered product range mostly consists of textile goods but also non-textile goods such as cosmetics, paper products, and sound recordings. Its brick-and-mortar business centres on the “Store of the Senses” flagship store at Munich’s Marienplatz. In addition, exclusive beauty products are available in an annex in FÜNF HÖFE, Munich

Furthermore, the Group offers and sells a wide range of premium cosmetics to all German-speaking regions via its ludwigbeck.de online portal.

2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Germany’s leading fashion houses. Combining top-end product selections, creatively staged product presentations, and service-oriented advice and sales culture, a top city location is the method of choice for cementing this market position.

Promotions, presentations, and sales spaces are constantly reviewed with a clear focus on optimization. LUDWIG BECK’s traditionally outstanding quality of service is further developed to keep up with growing customer demands.

To realize the envisaged high-end service level, LUDWIG BECK relies on satisfied employees who not only appreciate the Group as a sought-after employer and career home but also make active use of the wide range of generously offered development opportunities.

3. INTERNAL CONTROL SYSTEM

An internal control system provides LUDWIG BECK with all required information for controlling inventories, product selections, and the allocation of sales areas in an efficient manner. The system allows for accurate to-the-date resource planning analyses, organized by categories, such as product group and article number through to department volume.

The Group's financial scope of action is continuously monitored on the basis of these parameters by way of target-actual comparison, in order to be able to respond swiftly if significant deviations occur.

In addition to the financial performance indicators integrated into the aforementioned control system, the company uses a number of other key parameters to measure economic efficiency. These refer to developments in sales and earnings, working capital as well as investments in relation to capital employed.

The monthly reporting system provides the Executive Board with information on target-actual analyses reflecting the development of the key parameters. This is to make sure that immediate action can be taken if current business performance results deviate from the plan. In parallel, a thorough cause analysis makes sure that risks are kept at a minimum and opportunities exploited.

II. Economic Report

1. GENERAL AND BRANCH-SPECIFIC ENVIRONMENT

World economy cooling down

According to common consensus, 2019 marks a turning point that could see the end of a decade of steady growth. Dominant topics were the ongoing trade dispute between the USA and China, which left the European economy in an uncertain position. Most recent signs of a rapprochement between the two countries have not changed the overall geopolitical situation. The International Monetary Fund (IMF) provisionally calculated global growth of 2.9% for 2019 (previous year: 3.7%). Compared to previous years, this means a global downturn that has particularly affected the emerging markets.

German economy weakens visibly

If preliminary calculations by the Federal Office of Statistics are correct, the German economy has grown by only 0.6% in 2019 (2018: 1.5%). It was apparent that Germany would be passed down in the growth rankings of the G7 countries. While Germany was still in first place in 2016, Europe's former economic locomotive was only in 6th place in 2019, followed by Italy.

Among the reasons for the weakening economy was the decline in exports. German foreign trade suffered significantly from the trade war between the USA and China, which had a negative impact on global demand. Companies in Germany have become more cautious in their investment activities. In particular, the automotive industry struggled with declining global orders. According to economic researchers, the automotive industry, which is so essential for the country's economy, slipped into recession and is now affecting neighboring industries. 2019 has demonstrated in all its sharpness the German economy's dependency on the global economy and its inability to set its own growth impulses.

Once again, private consumption was the most important pillar of the economy. Given de facto full employment and a further increase in purchasing power, consumers were in an unchanged spending mood in 2019. In addition, the construction industry boomed and benefited from historically low-interest rates. Government revenues continued to develop positively. The German government recorded a surplus for the sixth time in a row.

Stationary textile industry again with lower sales

The negative development is dramatic. Whereas in 2010, there were still 23,000 apparel stores - according to the BTE Handelsverband Textil (BTE Textile Trade Association), there are now only 15,000. These figures illustrate the ongoing structural change in the stationary German fashion trade industry. Sales in 2019 were down 2% on the previous year, according to TW-Testclub, the branch portal with the highest number of participants. This was the fourth consecutive year of decline. Among the winners were multi-label stores, which grew by 1% on average. By contrast, mono-label suppliers and mid-fashion stores lost around 2% in sales. With regard to revenues, a reversal seems to be taking place across the board. Prices remained stable. According to TW-Testclub, 60% of the companies questioned were able to increase gross profit in 2019, and another 19% achieved the previous year's level. According to market observers, sales stores in city centres were less successful in

2019 than in stores in secondary locations. In the ongoing cut-throat competition, online business continues to exert the greatest pressure. In addition, the German textile retail trade could not escape from the increasing influence of climatic vicissitudes.

2. LUDWIG BECK BUSINESS DEVELOPMENT

Back to the core business

On January 31, 2019, LUDWIG BECK initiated the disposal process for the sale of all shares in Theo Wormland GmbH & Co. KG held by LUDWIG BECK Unternehmensverwaltungs GmbH. With the purchase agreement concluded on April 15, 2019, and executed on April 30, 2019, the former WORMLAND group segment was sold to three WORMLAND managers by way of a management buy-out (MBO). With this far-reaching strategic step, the Group has paved the way for an even more focussed concentration on its core business in the Munich's Marienplatz flagship store and thus for increased competitiveness.

There have also been structural changes at the management level. On August 31, 2019, Dieter Münch, who has served as Chief Financial Officer since 1998, left the company in mutual agreement. Jens Schott was appointed as his successor and new CFO on September 1, 2019. At the same time, Christian Greiner, former Executive Board member for purchasing, sales, and marketing, took over the responsibilities of Chairman of the Executive Board of LUDWIG BECK AG as well as of the human resources department.

The "Store of the Senses" launched a marketing offensive in 2019. Exclusive fashion and beauty products were presented in LUDWIG BECK's typical look-and-feel ambiance. New collections - for instance, in a business fashion, traditional costume, and fragrance labels - were promoted on various marketing channels. Parallel to the exhibition "The Threads of Modernity" and the film "All I never wanted", prize competitions were organised. There were regular “Look of the Week” offers. The legendary window installations at the Rathauseck created an atmosphere of different seasons.

In November 2019, LUDWIG BECK hosted an exclusive event at the "Store of the Senses". Moderated by UNICEF ambassador Nina Ruge, the 70th anniversary of UNICEF Christmas cards was celebrated. For 46 years, LUDWIG BECK has provided the United Nations Children's Fund with a sales desk for the already legendary Christmas cards. During Christmas season 2019, a traditional set of 10 cards with five individual motifs was offered on the 1st floor. Another star of the evening was poetry author Julia Engelmann, who recited from her latest book of poems.

The online portal ludwigbeck.de continued to grow as a complementary distribution channel to the stationary business, providing services that support the Group's classical retail business.

This joint effort enabled the strategic realignment of the Group in what was once again a challenging year for the entire stationary fashion business. As a result, earnings at the end of the Fiscal Year were in line with the management's forecast.

The focus of sales, which was hitherto strongly focused on Christmas, has shifted to the days around "Black Friday". The stationary trade, meanwhile, can no more ignore this trend, which originated from the online business. Even though the Christmas business fell short of expectations, the overall business development in 2019 was satisfying.

3. CONSOLIDATED EARNINGS

All sums in the following charts are calculated precisely and then rounded to one decimal place to €m. Percentages were derived from precise (not rounded) values.

As a consequence of the sale of the WORMLAND group segment, "Non-current assets held for sale and discontinued operations" were to be applied in the 2019 Fiscal Year. It provides for all revenues, earnings, and expenses to be eliminated from the individual items of the consolidated statement of comprehensive income and to be carried in a separate "Profit after tax from discontinued operations" reporting line as the net amount (IFRS 5.33). The previous year's figures were adjusted accordingly (IFRS 5.34).

	1/1/2019–12/31/2019		1/1/2018–12/31/2018		Delta
	€m	%	€m	%	€m
Gross sales	95.3	119.0%	95.5	119.0%	-0.3
VAT	15.2	19.0%	15.2	19.0%	0.0
Net sales	**80.1**	**100.0%**	**80.3**	**100.0%**	**-0.2**
Own work capitalized	0.0	0.0%	0.0	0.0%	0.0
Other operating income	3.8	4.7%	3.7	4.6%	0.1
	83.9	**104.7%**	**84.0**	**104.6%**	**-0.1**
Cost of materials	41.5	51.8%	41.6	51.9%	-0.2
Personnel expenses	17.4	21.8%	17.4	21.6%	0.1
Depreciation	5.9	7.4%	2.7	3.3%	3.2
Cost of office and store space	2.3	2.8%	6.1	7.6%	-3.8
Administrative expenses	2.0	2.6%	1.8	2.2%	0.3
Sales expenses	4.6	5.8%	4.7	5.9%	-0.1
Other personnel costs	2.0	2.5%	1.2	1.5%	0.8
Insurance and contributions	0.2	0.3%	0.2	0.3%	0.0
Other expenses	0.8	1.1%	0.7	0.9%	0.2
Sum total of other operating expenses	**12.1**	**15.0%**	**14.7**	**18.3%**	**-2.6**
Earnings before interest and taxes (EBIT)	**7.0**	**8.7%**	**7.6**	**9.5%**	**-0.7**
Financial result	-2.3	-2.9%	-0.8	-1.0%	-1.6
Earnings before taxes on income (EBT)	**4.6**	**5.8%**	**6.9**	**8.5%**	**-2.2**
Taxes on income	1.2	1.5%	1.9	2.4%	-0.7
Net income from continued operations	**3.4**	**4.3%**	**5.0**	**6.2%**	**-1.5**
Net income from discontinued operations	-17.0	-21.3%	-5.8	-7.2%	-11.2
Consolidated net income	**-13.6**	**-17.0%**	**-0.8**	**-1.0%**	**-12.8**
Expenses (-) and income (+) directly entered into equity	-0.3	-0.3%	-0.0	0.0%	-0.2
Consolidated comprehensive income	**-13.9**	**-17.3%**	**-0.8**	**-1.0%**	**-13.0**
Gross profit	38.6	48.2%	38.7	48.1%	-0.1
EBITDA	12.9	16.1%	10.3	12.8%	2.6
Operating margin (EBT / net sales) in %	5.8		8.5		

Segment reporting

After the sale of the WORMLAND segment, LUDWIG BECK's segment reporting comprises the segments "textile" and "non-textile:

1/1/2019–12/31/2019	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	**68.0**	**119.0%**	**27.3**	**119.0%**	**95.3**	**119.0%**
Previous year	*68.1*	*119.0%*	*27.4*	*119.0%*	*95.5*	*119.0%*
VAT	-10.8	19.0%	-4.3	19.0%	-15.2	19.0%
Previous year	*-10.9*	*19.0%*	*-4.3*	*19.0%*	*-15.2*	*19.0%*
Net sales	**57.2**	**100.0%**	**22.9**	**100.0%**	**80.1**	**100.0%**
Previous year	*57.2*	*100.0%*	*23.0*	*100.0%*	*80.3*	*100.0%*
Cost of sales (without discounts, rebates etc.)	-29.7	52.0%	-13.0	56.7%	-42.7	53.3%
Previous year	*-29.4*	*51.4%*	*-13.4*	*58.2%*	*-42.8*	*53.3%*
Gross profit	**27.5**	**48.0%**	**9.9**	**43.3%**	**37.4**	**46.7%**
Previous year	*27.8*	*48.6%*	*9.6*	*41.8%*	*37.5*	*46.7%*
Personnel expenses of sales	-4.6	8.0%	-3.1	13.4%	-7.7	9.6%
Previous year	*-4.7*	*8.2%*	*-3.3*	*14.2%*	*-7.9*	*9.9%*
Imputed occupancy costs	-10.4	18.2%	-2.2	9.7%	-12.6	15.8%
Previous year	*-10.3*	*18.0%*	*-2.4*	*10.2%*	*-12.7*	*15.8%*
Imputed interest costs	-0.9	1.5%	-0.4	1.9%	-1.3	1.6%
Previous year	*-0.8*	*1.4%*	*-0.5*	*2.0%*	*-1.3*	*1.6%*
Segment result	**11.6**	**20.3%**	**4.2**	**18.2%**	**15.8**	**19.7%**
Previous year	*12.0*	*21.0%*	*3.5*	*15.4%*	*15.6*	*19.4%*

Leasing

LUDWIG BECK is mandatorily applying the IFRS 16 "Leases" standard for the first time as of January 1, 2019. The effects on the earnings, asset, and financial situation are shown in the following table:

	incl. IFRS 16	IFRS 16	prior to IFRS 16
	€m	€m	€m
Earnings			
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	12.9	4.1	8.8
Earnings before interest and taxes (EBIT)	7.0	0.8	6.2
Earnings before taxes (EBT)	4.6	-0.7	5.4
Earnings after taxes from continued operations	3.4	-0.5	3.9
Balance sheet			
Non-current assets	161.7	64.9	96.8
Equity	61.6	-0.5	62.1
Long-term liabilities	93.5	62.8	30.7
Short-term liabilities	22.1	2.7	19.4
Balance sheet total	177.2	64.9	112.3
Equity ratio in %	*34.8*	*-20.6*	*55.3*

Sales development

In the 2019 Fiscal Year, the LUDWIG BECK Group generated gross sales of € 95.3m (previous year: € 95.5m). Sales were thus in line with the expectations of the management, which had forecast sales of between € 94m and € 98m.

Neither the German textile retail trade as a whole nor LUDWIG BECK could withstand the increasing influence of climatic vicissitudes. Due to the mild temperatures, the last quarter in particular and the associated Christmas business fell short of expectations. In addition, LUDWIG BECK continues to be challenged by a steadily growing online business, which again significantly increased in the Fiscal Year.

LUDWIG BECK generated sales in the „textile“ segment of € 68.0m, thus at the previous year’s level (previous year: € 68.1m). Sales in the "non-textile" segment, which also includes the online shop www.ludwigbeck.de, were € 27.3m (previous year: € 27.4m).

Earnings situation

In line with the development of sales, the gross profit of € 38.6m was at the previous year’s level (previous year: € 38.7m). The gross profit margin increased slightly to 48.2% (previous year: 48.1%).

The "textile" segment contributed a gross profit of € 27.5 m (previous year: € 27.8m). In the "non-textile" segment, gross profit was € 9.9m (previous year: € 9.6m). Discounts, bonuses, and rebates, etc. not allocated to the segments amounted to € 1.2m in the Fiscal Year, unchanged from the previous year. At € 11.6m, the result in the "textile" segment was slightly below the previous year's figure of € 12.0m. The result for the "non-textile" segment rose from € 3.5m to € 4.2m.

Other earnings composed of rental income, income generated by the administrative, sales and personnel departments, cafeteria profits, and own work capitalized amounted to € 3.8m (previous year: € 3.7m).

As a result of the mandatory application of IFRS 16 "Leases", rental expenses were no longer included as of Fiscal Year 2019. On the other hand, earnings were reduced by write-downs of usage rights and interest expenses from the minimum lease payments for the rental agreements.

In addition, one-off expenses incurred by the sale of the WORMLAND subgroup and other restructuring expenses amounting to € 1.5m had a negative effect in the Fiscal Year.

Earnings before interest, taxes, and depreciation (EBITDA) came to € 12.9m (previous year: € 10.3m). The initial positive effect of IFRS 16 on EBITDA caused by the elimination of rental expenses was € 4.1m.

Earnings before interest and taxes (EBIT) at Group level reached € 7.0m (previous year: € 7.6m). The effects of IFRS 16 on EBIT amounted to a total of € 0.8m. One the one hand, rental expenses of € 4.1m were removed, and, on the other hand, depreciation on usage rights of € 3.3m was added.

The financial result was negatively impacted by interest expenses of € 1.5m due to IFRS 16 and totaled € -2.3m (previous year: € -0.8m).

After deducting one-off charges from the sale of the WORMLAND subgroup and other restructuring expenses of € -1.5m, as well as the first-time impact on earnings from the application of IFRS 16 totalling € -0.7m, earnings before taxes (EBT), amounted to € 4.6m (previous year: € 6.9m). Earnings were thus in line with management's expectations, which had forecast EBT from continued operations between € 4m and € 5m.

Earnings after taxes from discontinued operations were € -17.0m (previous year: € -5.8m). This result is composed of a seller contribution in the total amount of € 11.5m and disposed of equity of the WORMLAND subgroup in the amount of € 5.5m.

Consolidated comprehensive income stood at € -13.9m (previous year: € -0.8m).

4. CONSOLIDATED ASSETS

Assets	**2019**		**2018**	
	€m	%	**€m**	%
Long-term assets				
Intangible assets	4.4	2.5	4.3	3.4
Property, plant, and equipment	157.1	88.7	96.2	76.1
Other assets	0.1	0.1	0.1	0.1
	161.7	91.2	100.7	79.6
Short-term assets				
Inventories	12.3	7.0	20.9	16.5
Receivables and other assets	2.5	1.4	3.2	2.6
Cash and cash equivalents	0.6	0.4	1.7	1.3
	15.5	8.8	25.8	20.4
Balance sheet total	**177.2**	**100.0**	**126.5**	**100.0**

The balance sheet total of the LUDWIG BECK Group stood at € 177.2m (December 31, 2018: € 126.5m) as per the reporting date December 31, 2019. In the previous year, non-current assets of € 3.1m and current assets of € 10.1m were attributable to the WORMLAND subgroup. These assets were fully disposed of with the WORMLAND divestiture in Fiscal Year 2019.

As at the reporting date, December 31, 2019, property, plant, and equipment in the amount of € 157.1m constituted the largest item of long-term assets (previous year: € 96.2m). The main additions were the usage rights from rental agreements recognised in the Fiscal Year in pursuant to IFRS 16. As of December 31, 2019, the residual carrying amounts of these usage rights totalled € 64.9 m. In addition, the property at Marienplatz in Munich is carried at more than € 70m under this item. The shares in the real estate company were acquired in the 2001 Fiscal Year. The carrying value was taken over unchanged until December 31, 2019. Property, plant, and equipment from the WORMLAND subgroup in the amount of € 2.7m were disposed of in the course of the divestiture of the shares.

Intangible assets of € 4.4m were at the previous year's level (December 31, 2018: € 4.3m). Ordinary depreciation and the disposal of the WORMLAND intangible assets amounting to € 0.4m were compensated by the investment in new till software.

Short-term assets were at € 15.5m (December 31, 2018: € 25.8m). Inventories, at € 12.3m (previous year: € 20.9m), constitute the main item of short-term assets. In the previous year, inventories of the WORMLAND subgroup amounted to € 8.4m.

Cash and cash equivalents came to € 0.6m as per the reporting date, December 31, 2019. In the previous year, cash and cash equivalents were € 1.7m, of which € 0.9m were attributable to the WORMLAND subgroup. They mainly consisted of cash assets of the operational companies. In order to optimize the financial structure of the LUDWIG BECK Group, almost all the bank balances of the operational companies were applied to reduce the utilization of existing overdraft facilities constantly.

5. FINANCIAL POSITION

Liabilities	2019		2018	
	€m	%	€m	%
Shareholders' equity	**61.6**	**34.8**	**75.8**	**59.9**
Financial liabilities	90.2	50.9	28.9	22.8
Accruals	2.9	1.6	3.5	2.8
Deferred taxes	0.4	0.2	0.8	0.6
Long-term liabilities	**93.5**	**52.8**	**33.2**	**26.3**
Financial liabilities	16.6	9.3	7.1	5.6
Trade liabilities	1.1	0.6	2.4	1.9
Accrued taxes	0.0	0.0	0.0	0.0
Other liabilities	4.4	2.5	8.0	6.3
Short-term liabilities	**22.1**	**12.5**	**17.5**	**13.9**
Balance sheet total	**177.2**	**100.0**	**126.5**	**100.0**

As of the relevant date, December 31, 2018, shareholders' equity of the LUDWIG BECK Group amounted to € 61.6m (December 31, 2018: € 75.8m). The negative result of € -13.6m mainly contributed to this development. As of December 31, 2019, the equity ratio of the LUDWIG BECK Group was 34.8% (December 31, 2018: 59.9%). The significant reduction in the equity ratio is due to the balance sheet extension of approx. € 65m following the recognition of rental agreements in accordance with IFRS 16, and to the negative consolidated result.

Financial liabilities of the Group increased from € 50.7m in the previous year to € 115.6m in the 2019 Fiscal Year. Besides the increase of financial liabilities resulting from IFRS 16 in the amount of € 65.7m (as of 31 December 2019), the refinancing of the seller contribution of € 11.5m from the sale of WORMLAND and the derecognition of liabilities of the WORMLAND subgroup (December 31, 2018: € 7.7m) impacted on the development of liabilities.

In total, short-term and long-term financial liabilities increased by € 70.8m. Provisions, deferred taxes, trade accounts payable, and other liabilities declined by € 5.9m.

Like in previous years, trade liabilities were recognized at repayment value. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are routinely paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

The finance policy of the Group is directed at securing liquidity while simultaneously optimizing financing costs. To the extent possible, non-operational risks are to be excluded.

Cashflow

The cash flow from operating activities amounted to € 8.0m in the 2019 Fiscal Year (previous year: € 4.4m).

The cash flow from investment activities amounted to € -13.2m as of December 31, 2019 (previous year: € -2.5m). Investments not only focused on new cash software but also on LUDWIG BECK's flagship store at Marienplatz in Munich. The total cash outflow for investments was € -1.7m. The seller contribution from the sale of the WORMLAND shares in the total amount of € -11.5m was also to be reported in this item.

The cash flow from financing activities reached a total of € 5.0m (previous year: € -1.8m).

More details about individual cash flow items are listed in the consolidated cash flow statement.

6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

The management considers the Group's economic situation positive. Despite past difficulties, the 2019 Fiscal Year has fulfilled expectations. LUDWIG BECK rests on sound foundations, which will ensure new business success and sustainable growth.

7. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

LUDWIG BECK's success is based essentially on employee qualification, motivation, and advisory competence. As intermediaries between product and customer, employees and their daily commitment are without alternative. While trends and products come and go, the people behind the brand of LUDWIG BECK are a stable constant incorporating the real value of the company. LUDWIG BECK employees are highly appreciated in-house and enjoy the special promotion. The Group undertakes every effort to preserve employee development and qualification at this high level.

Numerous internal training events were held in 2019 with this objective in mind. The gradual further enhancement of the service level took centre stage, as it may tip the scales in regard to competing with online traders: LUDWIG BECK also has committed to the principles of "Healthy Leading". This includes broad-ranged employee workshops, fitness activities with cooperation partners, or a balanced catering concept in the in-house cafeteria. These health management activities minimize absences and enhance well-being at work. These measures aim to achieve and maintain a high degree of contentment, which inspires employee motivation and identification with the company's goals.

In 2019, the LUDWIG BECK Group had 441 employees on average (previous year: 455). The number of apprentices was 46 (previous year: 42). The weighted number of employees stood at 294 (previous year: 304).

Corporate Social Responsibility

In the fiscal year, 2019 LUDWIG BECK complied with the guidelines on responsible business practices as set out in the Corporate Social Responsibility Report, which is available on the company's website in the section Corporate Governance.

Marketing

The LUDWIG BECK fashion group anchors its brand image and product offerings with intensive target group marketing and regular public relations measures.

Advertising space of inestimable value is the exceptionally designed window displays at the flagship store at Marienplatz, which attracts regular customers, Munich visitors, and numerous tourists. Lavish catalogues and events with high public appeal attract great attention by Munich's interested fashionistas all year round.

III. Remuneration Report

1. REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board consists of several remuneration components. Non-performance-related components include fixed remuneration and fringe benefits. The performance-related component is a bonus. The bonus amount depends on the development of the Group's return on sales in the last three years. Furthermore, the Supervisory Board can, at its discretion, grant a special bonus to reward special accomplishments. Benefits in kind are valued in line with payroll tax regulations.

The structure of the remuneration system for the Executive Board, as proposed by the personnel committee, is discussed and reviewed by the Supervisory Board on a regular basis. The general Supervisory Board passes decisions on remuneration.

The criteria for adequacy of the remuneration are, in particular, the duties of the respective members of the Executive Board, their personal performance as well as the economic situation, the success, and the future prospects of the company in a comparable business environment.

The total remuneration of the members of the Executive Board for their work in the Fiscal Year amounted to € 1,238k in the 2019 Fiscal Year (previous year: € 1,250k).

Individual details are shown in the following charts:

Value of remunerations granted in the reporting year 2019

	Christian Greiner Board Member for Purchasing, Sales, Personnel, Marketing as of 9/1/2019 Chairmen				Dieter Münch Board Member for Personnel, Finances, IT until 8/31/2019			
in €k	**2018**	**2019**	**2019 (min)**	**2019 (max)**	**2018**	**2019**	**2019 (min)**	**2019 (max)**
Fixed salary	386	386	386	386	386	286	286	286
Fringe benefits	15	16	16	16	17	14	14	14
Subtotal	**401**	**402**	**402**	**402**	**403**	**300**	**300**	**300**
One-year variable pay	223	223	0	223	223	223	0	223
Total remuneration	**624**	**625**	**402**	**625**	**626**	**523**	**300**	**523**

	Jens Schott Board Member for Finances, IT as of 01.09.2019			
in €k	**2018**	**2019**	**2019 (min)**	**2019 (max)**
Fixed salary	0	69	69	69
Fringe benefits	0	1	1	1
Subtotal	**0**	**70**	**70**	**70**
One-year variable pay	0	20	20	20
Total remuneration	**0**	**90**	**90**	**90**

Inflow in/for the reporting year 2019

	Christian Greiner Board Member for Purchasing, Sales, Personnel, Marketing as of 9/1/2019 Chairmen		Dieter Münch Board Member for Personnel, Finances, IT until 8/31/2019	
in €k	**2018**	**2019**	**2018**	**2019**
Fixed salary	386	386	386	286
Fringe benefits	15	16	17	15
Subtotal	**401**	**402**	**403**	**300**
One-year variable pay	223	223	223	223
Total remuneration	**624**	**625**	**626**	**523**

	Jens Schott Board Member for Finances, IT as of 01.09.2019	
in €k	**2018**	**2019**
Fixed salary	0	69
Fringe benefits	0	1
Subtotal	**0**	**70**
One-year variable pay	0	0
Total remuneration	**0**	**70**

Dieter Münch resigned from the Management Board as of August 31, 2019. On the basis of the termination agreement, Mr. Münch received one-off severance payments of € 1,222k for contractually agreed fixed and variable payments until the end of his employment contract.

Pension benefits of € 104k (previous year: € 104k) were paid to Dieter Münch in Fiscal Year 2019. LUDWIG BECK paid the contributions to these pension benefits during the active service period until completion of age 63. The cash value of pension benefits for former Executive Board members amounts to € 2,706k. Current pensions are indexed.

No member of the Executive Board has been promised further benefits in case of departure. In the Fiscal Year, no member of the Executive Board received benefits or corresponding undertakings from third parties regarding his activities as a member of the Executive Board.

2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was determined by the Annual General Meeting and is regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board.

Chairing of and membership in the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. Members of the Supervisory Board who belong to the Supervisory Board for less than a full year are remunerated on a pro-rata basis.

The fixed remuneration for members of the Supervisory Board is € 25k per Fiscal Year. The chairman's fixed pay is € 50k. The vice-chairman receives € 37.5k The remuneration for serving in a committee is € 2.5 per Fiscal Year and € 5k for the chairman.

Individual details are shown in the following chart:

in €k	2018	2019
Dr. Steffen Stremme	58	58
Sandra Pabst (as of May 15, 2018)	23	40
Clarissa Käfer	33	33
Dr. Bruno Sälzer (as of May 15, 2018)	16	28
Michael Neumaier*	25	25
Michael Eckhoff* (as of August 8, 2019)	0	10
Jochen Vöcker (until April 30, 2019)	15	8
Hans Rudolf Wöhrl (until May 15, 2018)	17	0
Edda Kraft (until May 15, 2018)	11	0
Philip Hassler* (until May 15, 2018)	10	0
Total remuneration	**208**	**202**

* Employee representative

IV. Risk and Opportunity Report

RISK REPORT

Evaluation – a core mission

Long-term business success in a dynamic market can only be achieved by recognizing and engaging opportunities early on. This necessity is one of the fundamental entrepreneurial obligations.

The companies of the LUDWIG BECK Group are exposed to external and internal factors of influence that can have a direct or indirect impact on the business. LUDWIG BECK classifies these potentials by quantitative and qualitative indicators. The management continually examines the thus identified risks and opportunities, taking into consideration that almost a third of LUDWIG BECK's customers are tourists. Locally insignificant risks become more and more important from a trans-regional and global perspective. The same holds true for opportunities.

For the purpose of risk monitoring and evaluation, LUDWIG BECK and WORMLAND have established the following risk categories:

Class A – significant risks: They include risks that, should they come to pass, would potentially endanger the company's existence. Diminishing or shifting these risks through controlling measures is only marginally possible – or not at all.

Class B – acceptable, yet relevant risks: Risks of this category either have a high damage potential and minor probability, or a high probability and minor damage potential.

Class C – non-relevant risks: Based on their extent of damage and probability, these risks can be classified as minor.

Constant evaluation enables the company to forestall and avert problems, and to utilize latent potentials to create value. Due to their size, DAX companies have personnel and technical resources to measure and evaluate opportunities and risks daily. LUDWIG BECK, however, relies on communication structures. In order to make the analytical process as efficient as possible, the Group's employees are in constant communication with the Executive Board that pursues an open door policy. On a higher level, the Executive Board and Supervisory Board discuss potential risks and opportunities, consider solutions, and determine adequate sets of measures.

1. Risks from the environment

Macro-economic risks (class B)
The combination of comprehensive reflationary programs, rescue packages for financial institutions and states, and sinking tax receipts led to an exceptional, historical high in budget deficits and to record levels of the national debt in Western

industrialized nations. The development in Greece and in other European countries exemplified quite plainly how easily investor concerns regarding a country's public finances can spread into other countries as well. Furthermore, high levels of national debt can dampen economic growth in the long term, ultimately endangering monetary stability. The partial and cumulative effects to be considered may reverberate in a possibly significant worsening of the still upheld positive consumer sentiment, should other topics gain higher priority.

Political and socio-political risks (class B)
As the Group partially targets demand from international customers, it has to consider global, socio-political risks. Political crises, currency slumps, civil wars, revolutions, and other societal upheavals in the customers' home countries, as well as calls for boycott, can cause important target groups to stay away from Munich.

The influx of refugees into Europe, and Germany in particular, which may have been restrained only temporarily, increases the risk of societal distortions as exemplified by the continuously harsher tone in public discourse, terrorist attacks committed by offenders who entered as refugees, the departure of large segments of the population from mainstream media and the government, New Year's Eve celebrations in major cities which are only save under the protection of massive police presence, and discussions about public security which have never before been held with such fervor. Worries and fears of many German citizens, poor information policy, the absence of clear signals from the government, and a revival of radical currents could lead to an increasing polarization of German society, incidentally influencing economic circumstances and consumer climate. Then again, it is currently not possible to predict whether the migrants that have entered Germany since 2015, can be integrated into the social life and labour markets in a way creating positive effects for all. If this cannot be achieved in the long term, increasing exposure to the aforementioned risk potential could be the consequence.

Risks due to epidemics and pandemics (class B)
A city as highly linked and open to tourism as Munich is basically susceptible to epidemics and pandemics. Not only the possible risk of illness of employees and customers can severely impair business activities - the fears generated by the news, the information in the digital media, and rumours could also cause a drop in sales, particularly at the heavily frequented store at Marienplatz. The absence of daily visitors and tourists would cause an additional drawback for the flagship store, which is traditionally visited by a large number of foreign customers. Finally, in the case of an escalating public perception of an epidemic or pandemic, the overall economic impact might also affect LUDWIG BECK. In particular, adverse effects on consumer behaviour, supply shortages, or the official closure of stores could have a considerable negative effect on LUDWIG BECK's asset, financial, and earnings situation.

Risk of terrorism (class B)
In the wake of Islamist terror attacks in Brussels, Nice, Berlin, and other cities in Europe and worldwide, this risk will remain factual in the foreseeable future. As evidenced by the terrorist warning on New Year's Eve 2015, the open-minded city of Munich is also a potential target of attacks. The potential consequences of such a threat to German society for the overall economic situation are difficult to assess. Not only real threats but also putative dangers may cause customers to avoid bustling places and the centres of cities. In case of an actual terror alert, or immediately after a real terrorist attack someplace else, the flagship store at Marienplatz could be affected by the absence of regular customers and tourists, at least for a while. On account of the mere existence of this type of risk, and anxious population and people impelled to change their plans may well become significant factors to take into consideration.

Weather risks (class B)
The world-wide climatic change is one of the fundamental risks of a retail textile business. Summers are too cool and damp, winters too mild or extremely cold. Temperatures show anti-cyclical patterns; the macro weather situation is unpredictable. This uncertainty thwarts the consumers' propensity to buy. The familiar rules regarding desired shopping goods for a season are interrupted. A rainy summer has a negative impact on the swim fashion collection. A mild winter curbs the demand for winter wear such as coats, gloves, and hats. The past two years were examples of the damage a sequence of unpredictable weather conditions can wreak on the entire German fashion sector.

Accessibility risk (class B)
The central location of the flagship store at Marienplatz relies to a great extent on accessibility via the public transport system. Public service strikes or interruptions of the local transportation networks can, therefore, hamper or even prevent the unobstructed transportation of customers to the city centre. Thus, there is a risk of reduced sales if a normal business in the following days cannot compensate for the loss. Obstructions by public renovation work in close proximity that may occur in connection with the construction of a second subway tunnel that was started in 2017, also count as accessibility risks.

2. Sector risks

Online competition risks (class B)
Possible additional online vendors in the same sector can entail the risk of exacerbated competition in the segments LUDWIG BECK is operating in. A broader range of online vendors could create a situation of multiple choices for stationary customers

in regard to identical or similar products, due to the rising appeal, higher service quality, and, if nothing else, enticing pricing of web portals. The Group recognizes this risk, yet is able to face it with relative nonchalance, as customers are offered a unique shopping experience with its second-to-none product presentation at one of Europe's best locations on the one hand. On the other hand, the Group operates the successful, award-winning online shop ludwigbeck.de, which will continue to complement and even stimulate the brick-and-mortar business in a meaningful way.

Risks through consumer behaviour (class C)
Altered consumer behaviour or a changing competitive situation in retail, triggered by the general economic situation, commercial framework conditions, and income trends, require a constant realignment of the marketing concepts to meet the needs of customers in terms of product selection and service.

The corporate policy orientation is not least based on targeted market observation and an analysis of the competitive situation, trends in consumer behaviour as well as particular behavioural patterns of the relevant target groups. As a vendor of an exclusive product portfolio, LUDWIG BECK is a trendsetter and forerunner with the ability to influence the shopping behaviour of the target group to its own benefits.

With a precise positioning and strategy, LUDWIG BECK uses all opportunities resulting from this permanently changing market. High-quality service and depth of product ranges allow the company to benefit from niches in the specialist store segment. The Group can also compensate for possible customer migration trends by operating the online shop in addition to the brick-and-mortar business.

Seasonal risks (class C)
As goods are purchased much earlier than seasonal and sales peaks occur, this causes outflows of cash at times during which there are not necessarily corresponding sale revenue/inflows of liquid funds. These cash flow fluctuation risks are monitored and controlled through financial management using a variety of cash management tools.

3. Economic performance risks

Supplier risks (Class C)
As a textiles retail company, LUDWIG BECK is dependent on reliable external suppliers. This causes various risk factors, such as disruptions in the procurement of goods, breaches of quality, safety and social standards, ethical doubts, or environmental abuse. LUDWIG BECK carefully selects its suppliers to ensure that the products desired by the customer are of high quality and in sufficient quantity. This is continuously checked. Due to a large number of cooperations in place, there is no dependency on a single cooperation partner.

Logistic risks (class C)
Any interruption of the chain of value creation at the level of product supply directly impacts the availability of the products offered by LUDWIG BECK. The broad spectrum of the product selection is vulnerable to risks that may threaten the inventory as a whole. This holds true for the brick-and-mortar business as well as the online shop. For this reason, LUDWIG BECK diligently observes the existing supply structures and takes corrective action if necessary.

4. Financial risks

Financial risks (class B)
As a result of the public debt crisis in European countries, with still no end in sight, currently unforeseeable difficulties or reluctance of banks to grant loans may arise for industry and commerce. In case of a further exacerbation, this could lead to liquidity constraints as the banking sector is already under pressure.

The LUDWIG BECK Group operates a central financial risk management system to identify, measure, and control financial risks. A financial resources balancing system between the various businesses in the Group means that short-term excess liquidity from one can be used to finance the capital needs of another. This internal clearing system helps reduce the amount of external finance required and optimize cash deposits, thus positively affecting the interest result of the individual companies and the Group as a whole.

LUDWIG BECK's open and up-to-date information policy and equal treatment of all lenders is the basis for the trust which creditors have in the company and thus for their willingness to provide credit lines. Loans are spread between several lenders to minimize risks of concentration. The company's solid equity position, its current cash flows, and the available bank loans form the basis for the company's long-term financing. Interest risks are controlled through the mix of loan periods and fixed and variable interest positions. In order to cover future capital requirements, the financial management team also regularly checks alternative financing opportunities.

Risk of bad debt (class C)
Currently, the Group is exposed to the risk of bad debt to only a relatively limited extent. The credit card providers mainly bear the risks resulting from credit card payments. The monitoring of EC-card payments is outsourced to an external service provider. Risks in cash payment transactions are low due to implemented control mechanisms.

Liquidity risk (class C)
Liquidity risk is the result of insufficient available funds to meet financial obligations in due time. LUDWIG BECK has such obligations, particularly for the repayment of financial liabilities. The LUDWIG BECK Group constantly monitors and plans its liquidity. The Group companies regularly have liquid funds available to be able to meet their current payment obligations. Furthermore, short-term lines of credit and overdraft facilities can be called upon. These are based on solid financing. The Group has a strong operative cash flow, considerable liquid funds, and unutilized lines of credit. Forward-looking liquidity planning ensures that LUDWIG BECK is always solvent.

5. Other risks

IT risks (class C)
IT risks mainly concern the requirement for the no-fail availability of the cash register and computer systems, including the necessary IT network, as well as the integrity of data in connection with potential external attacks on the IT systems. The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services. An effective IT management ensures that the company's IT systems are permanently available and that measures to protect the system from external attacks are taken. Due to the growing importance of this area, management has signed a cyber insurance contract to protect the Group in case of an emergency.

Personnel risks (class C)
Employees are one of the most decisive factors of success. Alongside the creation of a positive work environment, our human resources activities focus on providing training and advanced training measures and developing junior managers. The development of staff, in combination with the application of our management principles, reduces the risk of personnel fluctuations, and ensures the high standard of qualification and service orientation of our employees.

Legal and tax risks (class C)
LUDWIG BECK is exposed to legal and tax risks through possible breaches of legal provisions. Therefore, the monitoring of the current legal position, along with upcoming legislative amendments, is kept within the focus of the companies. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the everchanging legal position on a regular basis.

To the best of the companies' knowledge, it is not currently facing, nor expecting, legal proceedings or arbitration which might have an impact on the economic situation of LUDWIG BECK. As a result, no impact on business development is expected.

The company has sufficient insurance cover for risks from damages and liability claims, whose requirements and conditions are subject to continual assessment both internally and externally.

Compliance risks (class C)
For an internationally active business, complying with a multitude of legal systems and regulations requires a high degree of attention and the integrity of employees in every position. Compliance risks can result from corruption when dealing with authorities, breaches of data protection rules, or non-observance of labour laws. In order to practically rule out infringements, LUDWIG BECK thoroughly educates their staff and ensure vigilant compliance awareness.

6. Overall risk evaluation

The management of the LUDWIG BECK Group currently considers the aforementioned risks controllable or negligible due to their minute probability. At present, no risks that can threaten the company's existence are evident. With a plethora of opportunities available, the Management Board intends to utilise growth and profit-stimulating potentials. Last but not least, these include the ownership of the real estate at Marienplatz in Munich, one of the most sought retail locations in Europe.

LUDWIG BECK bears all entrepreneurial risks concerning the company's core and supporting processes, but only if they are controllable and the required effort contributes to the Group's increase in value. This category includes strategic models, decisions about new areas of enterprise, or the purchasing and selling of products. Beyond that, LUDWIG BECK generally does not take risks.

OPPORTUNITIES REPORT

Opportunities presenting themselves to LUDWIG BECK can be utilised for a successful business development also in the Fiscal Year 2020. With potential consumer spending remaining at a high level, LUDWIG BECK can seize the opportunities for realizable growth even in times of structural change in fashion retailing.

Within the scope of its business model – which has again been strategically based on two pillars since spring 2019 –, the Group focuses on the top-selling flagship store at Marienplatz in Munich with its development opportunities lying in the accelerated enhancement of service competence and a clear focus on product lines, brands and cooperation. The unparalleled experiential value of magical shopping at the “Store of the Senses”, provided in a unique sales atmosphere, is second to none in the field of stationary or virtual competition.

The online sale of beauty products at www.ludwigbeck.de forms an alternative to the brick-and-mortar business. Thus, the company is taking advantage of all the opportunities which e-commerce offers for its further growth.

Based on a thorough analysis and in accordance with the strategic goals, LUDWIG BECK seized the opportunities offered to the group in 2019. With the divestment of WORMLAND, LUDWIG BECK has refocused on its core business comprising the high revenue "Store of the Senses" at the Marienplatz in Munich, the dependence in the Munich FÜNF HÖFE and the online shop ludwigbeck.de.

V. Internal Control and Risk Management System

LUDWIG BECK has established a system of internal controls to secure proper accounting in compliance with legal requirements. LUDWIG BECK’s accounting procedures are governed by standardized guidelines and rules, as well as a clearly defined course of action. To this effect, uniform accounting parameters and booking directions for various business transactions were established. Another control tool is the clear allocation of functions regarding various accounting processes. Accounting relevant items are mainly recorded on an automated basis.

For Group accounting purposes, all book-keeping data of the consolidated companies can be assessed. To survey compliance with applicable rules, LUDWIG BECK relies on process-integrated monitoring systems. LUDWIG BECK divided these systems into ongoing automated control mechanisms, like separation of functions and restricted access to certain sets of books for unauthorized personnel, and controls integrated into work processes which are secured through automated bookings, permanently stored codes, automated booking procedures and the recording of the entire sales process (cash register systems).

The accounting-related risk management system of LUDWIG BECK is set up in a way that the risks of misrepresentation, which mainly ensue from new business processes or amendments to legal provisions, are constantly monitored. These risks are contained by transferring decisions on accounting-related data resulting from unusual business transactions to the management level. Ongoing training regarding changes to the applicable accounting provisions is provided to the Management. External providers carry out up-to-date training in the basic principles set out in the literature. In case of doubt, external consultants are called in for the implementation of changes and their integration into existing processes.

VI. Forecast Report

GLOBAL ECONOMY, GERMAN ECONOMY AND LUDWIG BECK IN UNCERTAIN CONDITIONS

Given the latest developments on the global spread of the coronavirus and its effects on the world economy, the German economy, the retail industry, and LUDWIG BECK, in particular, it is still not possible to estimate on how far the economy will be negatively affected.

Initially, the management of LUDWIG BECK anticipated gross sales between € 95m and € 97m and earnings before taxes (EBT) between € 3.5m and € 4.5m for 2020. Given the current negative impact of the "coronavirus crisis", the management presently is in no position to provide a serious forecast of sales and earnings for the fiscal year 2020. It is not possible to quantify how much sales and earnings of LUDWIG BECK could be negatively affected by customer absences, supplier bottlenecks, or potential administrative orders.

VII. Supplementary Details

1. DETAILS ACCORDING TO SECTION 315A PAR. 1 COMMERCIAL CODE (HGB)

Composition of subscribed capital

The subscribed capital (share capital) of LUDWIG BECK is divided into 3,695,000 no-par shares (ordinary shares). The no-par shares are issued to bearer. The nominal value of each capital share is € 2.56 per no-par share. Direct and indirect capital holdings that represent more than ten in a hundred of the voting rights are listed below.

Direct and indirect holdings

The listed companies and individuals directly or indirectly hold more than ten in a hundred of the voting rights at LUDWIG BECK at the time of the preparation of the annual financial statements:

- INTRO-Verwaltungs GmbH, Reichenschwand, 49.2% (direct)
- Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand, 25.7% (direct)
- Hans Rudolf Wöhrl Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, 25.7% (indirect)
- Hans Rudolf Wöhrl Beteiligungs GmbH, Reichenschwand, 25.7% (indirect)
- Mr. Hans Rudolf Wöhrl, Germany, 74.9% (indirect)

Legal provisions and terms of the articles of association concerning the appointment and removal of members of the Executive Board as well as amendments to the articles of association

According to the articles of association and the relevant legal provisions, the members of the Executive Board are appointed and removed by the Supervisory Board. The number of members is determined by the Supervisory Board. The Executive Board is composed of a minimum of two persons. Any amendment to the articles of association requires a resolution of the Annual General Meeting (Section 179 Par. 1 Joint Stock Corporation Act (AktG)).

According to Section 16, Par. 3 of the articles of association, the resolution of the Annual General Meeting requires a simple majority of the votes cast or, as the case may be, in addition, a simple majority of the represented share capital, unless a more substantial majority or further prerequisites are stipulated by law or the articles of association. This is the case for resolutions on changes to the nature and purpose of the business or capital measures excluding shareholders' subscription rights. According to Section 12 Par. 2 of the articles of association, the Supervisory Board is authorized to implement changes to the articles of association, which only concern the wording.

Further details according to Section 315a Par. 1 Commercial Code (HGB)

Since the provisions of Section 315a Par. 14 No. 2, No. 4, No. 5, No. 8, and No. 9 Commercial Code (HGB) do not apply. No details have to be provided.

2. DETAILS ACCORDING TO SECTION 312 JOINT STOCK CORPORATION ACT (AktG) (DEPENDENCY REPORT)

Since no control and profit transfer agreement was concluded with the principal shareholder, the Executive Board of LUDWIG BECK was obligated to prepare a report about relations to associated companies pursuant to Section 312 Par. 3 Joint Stock Corporation Act (AktG). The Dependency Report contains the following conclusive statement:

“According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable compensation in each individual case and did not suffer any disadvantage as a result of measures taken or not taken.”

3. CONSOLIDATED DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 315D COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance, according to § 289f HGB and § 315d HGB, has been made publicly available on the company’s website in the section Corporate Governance under the menu item Declaration on Corporate Governance.

Munich, February 28, 2020

The Executive Board

Christian Greiner Jens Schott

4 Additional *Information*

Corporate Affidavit

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss situation of the Group. The Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, February 28, 2020

Christian Greiner Jens Schott

Independent Auditor's Report

To LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Auditor's opinions

We have audited the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft and its subsidiaries (the Group) – comprising the Consolidated Balance Sheet as per December 31, 2019, the Consolidated Statement of Comprehensive Income, the Consolidated Equity Statement and the Consolidated Cash Flow Statement for the Fiscal Year from January 1 to December 31, 2019 together with the Consolidated Notes, including a summary of significant accounting methods. We also audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2019. Furthermore, we have audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2019.

According to our assessment based on the findings of our audit

- the attached Consolidated Financial Statements comply with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and, with due regard to these provisions, give a true and fair view of the assets and financial situation of the Group as per December 31, 2019 and the Group's earnings position for the Fiscal Year from January 1 to December 31, 2019 and
- the attached Consolidated Management Report, as a whole, provides a suitable view of the Group's position. The Consolidated Management Report is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and accurately represents the opportunities and risks of future development.

In accordance with section 322 par. 3, sentence 1 Commercial Code (HGB) we declare that our audit has not revealed any grounds for objections against the regularity of the Consolidated Financial Statements or the Consolidated Management Report.

Grounds for our audit opinions

We conducted our audit of the Consolidated Financial Statements and the Consolidated Management Report pursuant to section 317 Commercial Code (HGB) and the EU Audit Regulations (No. 537/2014; hereinafter referred to as "EU AudReg") and with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these provisions and principles is set out in more detail in the "Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report" section of our Auditor's Report. We are independent of the Group companies within the meaning of European and German provisions of commercial and professional law and have complied with our other professional duties under German law and the foregoing requirements. Furthermore, we declare in accordance with article 10 par. 2 lit. f) EU AudReg that we didn't render any prohibited non-audit services according to article 5 par. 1 EU AudReg. We believe that the audit evidence obtained forms a sufficient and appropriate basis for our audit opinions on the Consolidated Financial Statements and the Consolidated Management Report.

Particularly significant factual matters relevant for the audit of the Consolidated Financial Statements

Particularly significant factual matters relevant to the audit are factual matters that, at our reasonable discretion, have been the most important ones for the audit of the Consolidated Financial Statements for the Fiscal Year from January 1 to December 31, 2019. These factual matters were taken into consideration in connection with our audit of the overall Consolidated Financial Statements and the formation of our relevant audit opinion. We do not provide any separate opinion on these factual matters.

Initial Adoption of IFRS 16 Leases

Reasons for consideration as particularly significant factual matter: The standard IFRS 16 Leases had to be applied for the first time to the Consolidated Financial Statements as of 31 December 2019. The accounting provisions of IFRS 16 led to the capitalization of a right of use for identified leases and the recognition of a liability of the same amount as of January 1, 2019. Due to the first-time application of the new provisions regarding accounting and the disclosures in the Notes to the

Consolidated Financial Statements, there was a risk of incorrect or incomplete information in the Consolidated Financial Statements, so that the presentation of leases is, in our opinion, a particularly significant factual matter relevant for the audit.

Audit approach: LUDWIG BECK uses a calculation tool to determine the values to be recognised in the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income in connection with leases. We have taken random samples to check the accuracy of the values entered into the calculation tool and the plausibility of the calculation. We have also reconciled the values shown in the Consolidated Financial Statements with the calculations. We have examined the completeness of the information on leases in the Consolidated Financial Statements using a checklist for the IFRS Notes to the Consolidated Financial Statements.

Our audit did not give rise to any objections with regard to the accuracy and completeness of the presentation and disclosures on leases in the Consolidated Financial Statements.

Reference to pertinent information: Disclosures on Leases are contained in the Notes to the Consolidated Financial Statements in chapter G. III. “Leases”, as well as especially in chapters C. I. (1) “Intangible assets and property, plant and equipment” and C. I. 9b) “Financial liabilities (short-term)”. The first-time adoption of IFRS 16 is described in chapter B. IV. 2. “Initial application of IFRS/IAS”.

Deconsolidation of WORMLAND-subgroup

Reasons for consideration as particularly significant factual matter: Due to the sale of the shares in LUDWIG BECK Unternehmensverwaltungs GmbH with effect from April 30, 2019, the WORMLAND subgroup had to be deconsolidated in the Consolidated Financial Statements as of December 31, 2019. Against the background of the loss situation of the WORMLAND sub-group in the previous years and the seller's additional payment by LUDWIG BECK AG, the transaction is of material significance for the Consolidated Financial Statements. The deconsolidation represents an extraordinary business transaction in the LUDWIG BECK Group; as a result, there was a risk of incorrect or incomplete information in the Consolidated Financial Statements, so that the presentation of the deconsolidation of the WORMLAND subgroup represents a particularly significant factual matter relevant for the audit.

Audit approach: We have reconstructed the consolidation steps of LUDWIG BECK to deconsolidate the WORMLAND subgroup and the presentation in the Consolidated Statement of Comprehensive Income. We have examined the completeness of the information on the deconsolidation of the WORMLAND subgroup in the Consolidated Financial Statements using a disclosure checklist for the IFRS Notes to the Consolidated Financial Statements.

Our audit did not give rise to any objections with regard to the accuracy and completeness of the presentation and disclosures in the Consolidated Financial Statements.

Reference to pertinent information: Information on the deconsolidation of the WORMLAND subgroup is provided in the Notes to the Consolidated Financial Statements, particularly in section B. I. "Consolidated Group", C. II. (21) "Earnings after tax from discontinued operations" and E. "Explanations to the Consolidated Cash Flow Statement".

Revenue Recognition

Reasons for consideration as particularly significant factual matter: In accordance with IDW PS 261 Tz 67, the auditor must always anticipate that risks of material misstatement may lie in the realisation of sales and that these risks must be treated as significant risks.

Audit approach: Within the scope of our audit, we have assessed the design of the accounting-related internal controls in the area of sales/revenue from sales of goods and examined their effectiveness on a test basis. In particular, we have examined the interface between the cash register system and the financial accounting system and have understood the system for recording incoming payments and their reconciliation with the sales of goods. Furthermore, we reviewed the sales revenue accounts for possible manual sales revenue postings.

Due to LUDWIG BECK's business model, which involves the sale of merchandise against cash or card payment via a POS system connected to the financial accounting system, and the internal processes and controls established in the area of sales/revenue of goods, we do not consider the risk of material misstatement of revenue recognition to be significant after our audit. Our audit did not give rise to any objections with regard to revenue recognition.

Reference to pertinent information: The revenue recognition principles applied by LUDWIG BECK are described in the Notes to the Consolidated Financial Statements in section B. IV. 13. "Accounting principles and valuation methods - Revenue recognition". The internal control system is explained in section V. "Internal Control and Risk Management System" of the Consolidated Management Report.

Valuation of merchandise

Reasons for consideration as particularly significant factual matter: Merchandise is reported at cost less deductions for old stock and goods of reduced salability (fashion risk) as well as granted discounts. In our view, this valuation approach qualifies as particularly significant, audit-relevant factual matter, as the determination of the relevant deductions requires discretionary decisions, estimations and assumption in regard to the price reductions that will actually be granted on inventories in the following year, as well as of the selling costs that will be incurred until the sale of the goods.

Audit approach: Within the scope of our audit we assessed the structuring of the accounting-related internal control system in the merchandise management area and valued its efficiency by random checking. Building on that, we retraced the deductions made using risk-oriented, selected samples for retrograde valuation. Furthermore, we reviewed the deductions for plausibility on the basis of the price reductions granted in the time after the reporting date.

Our audit activities did not give rise to any objections regarding the reporting of merchandise.

Reference to pertinent information: As regards the accounting principles applied by LUDWIG BECK to the reporting of merchandise we refer to “Accounting and valuation methods – inventories” in chapter B. IV. 6., and to “Explanations to individual items of the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – inventories“ in chapter C. I. (3) of the Consolidated Notes.

Other information

The legal representatives are responsible for the following other information we expect to be submitted to us after the date of our Auditor’s Report:

- Non-financial Group Statement pursuant to sections 315b et seq. Commercial Code (HGB). According to section 315b par. 3 Commercial Code (HGB) LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG prepares a separate Non-financial Group Report outside the Consolidated Management Report and publishes this report on its website,
- Group Statement on Corporate Governance pursuant section 315d par. 1 Commercial Code (HGB); LUDWIG BECK prepares a combined Declaration and Group Declaration on Corporate Governance, that according to section 315d sentence 2 together with section 289 par. 1 sentence 2 Commercial Code (HGB) will be published on the corporate website,
- Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code,
- Declaration according to sections 297 par. 2, sentence 1 and 315 par. 1, sentence 5 Commercial Code (HGB) and
- The remaining parts of the Annual Report for the Fiscal Year 2019 with the exception of the audited Consolidated Financial Statements, the Consolidated Management Report and our pertinent Auditor’s Report.

The Supervisory Board is responsible for the following information we expect to be provided to us after the date of this Auditor’s Report:

- Supervisory Board’s Report.

Our audit opinions regarding the Consolidated Financial Statements and the Consolidated Management Report do not extend to other information. Accordingly, we neither give any audit opinion nor draw any other audit conclusion with regard thereto.

In the context of our audit, it is our responsibility to read the other information and to assess whether the other information

- contains significant inconsistencies regarding the Consolidated Financial Statements, the Consolidated Management Report or our audit findings or
- was otherwise gravely misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Consolidated Management Report

The legal representatives are responsible for the preparation of the Consolidated Financial Statements in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and for ensuring that, with due regard to these provisions, they convey an accurate and fair picture of the Group’s assets, financial and earnings situation. Furthermore, the legal representatives are answerable for the internal controls they consider essential in order to facilitate the preparation of the Consolidated Financial Statements free of significant – intentional or inadvertent – misrepresentations.

With regard to compiling the Consolidated Financial Statements, the legal representatives are also obligated to assess the Group's ability to continue as a going concern. The legal representatives are also requested to present factual matters that are relevant to the continuation as a going concern. Furthermore, it is their responsibility to base their accounting on the accounting principle of going concern unless they intend to liquidate the Group or discontinue operations or have no viable alternative.

The legal representatives are also responsible for ensuring that the Consolidated Management Report prepared by them basically conveys an accurate picture of the Group's situation, is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development. Furthermore, the legal representatives are answerable for all precautions and measures (systems) they consider essential in order to facilitate the preparation of the Consolidated Management Report in compliance with the applicable provisions of German law and to provide sufficient and appropriate evidence for the statements contained in the Consolidated Management Report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process as applied to the preparation of the Consolidated Financial Statements and the Consolidated Management Report.

Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report

It is our objective to attain a sufficient level of assurance as to whether the Consolidated Financial Statements as a whole are free of – intentional or inadvertent – misrepresentations and the Consolidated Management Report basically gives an accurate view of the Group's situation, is consistent with the Consolidated Financial Statements and the audit findings in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development, and to provide an Auditor's Report that reflects our audit opinions concerning the Consolidated Financial Statements and the Consolidated Management Report.

Sufficient assurance means a high level of assurance, yet no guarantee that an audit carried out in accordance with section 317 Commercial Code (HGB) and EU AudReg, with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect significant misrepresentations. Misrepresentations may result from infringements or inaccuracies. They are considered significant if they can be reasonably expected to influence the economic decisions, individually or generally, taken by the recipients on the basis of these Consolidated Financial Statements and this Consolidated Management Report.

With regard to our audit we exercise due discretion and maintain a critical stance. Furthermore, we

- identify and assess the risks of significant – intentional or inadvertent – misrepresentations in the Consolidated Financial Statements and the Consolidated Management Report, plan and carry out audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinions. The risks of significant misrepresentations remaining undetected is higher in case of infringements than they are in case of inaccuracies, as infringements may include fraudulent collaboration, forgeries, inadvertent incompleteness, misleading representations or circumvention of internal controls.
- gain an understanding of the internal control systems relevant to the audit of the Consolidated Financial Statements and the precautions and measures relevant to the audit of the Consolidated Management Report in order to be able to plan audit actions that are appropriate under the given circumstances while at the same time refraining from giving an audit opinion on the efficiency of the company's systems.
- evaluate the appropriateness of the accounting processes applied by the legal representatives as well as the tenability of the estimated values and pertinent information provided by the legal representatives.
- draw conclusions on the adequateness of the accounting principle of going concern as applied by the legal representatives, as well as on the question as to whether, based on the audit evidence obtained, there is any significant uncertainty in connection with events or circumstances that give rise to reasonable doubt about the Group's ability to continue as a going concern. If we arrive at the conclusion that there is a significant uncertainty, we are obligated to draw attention to the pertinent information contained in the Consolidated Financial Statements and the Consolidated Management Report in our Auditor's Report, or if this information is inappropriate, to qualify our audit opinion. We draw our conclusions based on the audit evidence obtained until the date of our Auditor's Report. Future events or circumstances may, however, lead to a situation where the Group is no longer able to continue as a going concern.
- assess the overall representation, layout and contents of the Consolidated Financial Statements including pertinent information, and evaluate whether the Consolidated Financial Statements reflect the transactions and events they are

based on in a way that the Consolidated Financial Statements convey a fair and accurate picture of the Group's assets, financial and earnings situation, in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law.

- obtain sufficient and appropriate audit evidence for the companies' accounting details and intergroup transactions in order to give audit opinions on the Consolidated Financial Statements and the Consolidated Management Report. We are responsible for the derivation, monitoring and performance of the audit of the Consolidated Financial Statements. We have sole responsibility for our audit opinions.
- evaluate the Consolidated Management Report's consistency with the Consolidated Financial Statements, its legality and the picture of the Group's situation it conveys.
- perform audit activities with regard to the future-oriented information given by the legal representatives in the Consolidated Management Report. On the basis of sufficient and appropriate audit evidence we particularly retrace the significant assumptions the legal representatives based their future-oriented information on, and evaluate the proper derivation of the future-oriented information from these basic assumptions. We do not give any separate audit opinion on this future-oriented information or these basic assumptions. There is a considerable risk that future events may differ materially from this future-oriented information.

Among other, we discuss with the persons responsible for monitoring about the planned scope of and the time planning for the audit as well as significant audit findings, including possible shortcomings of the internal control system, which we detect in the course of our audit.

We declare vis-à-vis the persons responsible for monitoring that we have complied with the relevant requirements of independence, and explain to them all relations and other circumstances that can reasonably be expected to have an effect on our independence, as well as the safeguards applied with regard thereto.

From all factual matters discussed with the persons responsible for monitoring we select those factual matters that were most significant for the audit of the Consolidated Financial Statements for the current reporting period and therefore qualify as particularly significant factual matters. We relate these factual matters in our auditor's report unless statutory or other legal provisions preclude publication of the relevant data.

Additional statutory and legal requirements

Other information according to article 10 EU-APrVO

We were appointed as auditors by the Annual General Meeting held on June 3, 2019. We were engaged by the Supervisory Board on November 11, 2019. We have acted as auditors for the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft since the Fiscal Year 2009 without interruptions.

We declare that the audit opinions contained in our Auditor's Report are consistent with the Supplementary Report to the Supervisory Board pursuant to article 11 EU AudReg (Auditor's Report).

Responsible auditor

The responsible auditor for this audit is Mr. Peter Häussermann.

Munich, March 6, 2020

BTU TREUHAND GmbH
Wirtschaftsprüfungsgesellschaft

Clemens Dornseifer	Peter Häussermann
Public Auditor	Public Auditor

Financial Calendar

Sales Figures 2019	**January 8, 2020**
Balance Sheet Press Conference for the Annual Report 2019 (Munich) - cancelled	**March 26, 2020**
Publication of the Annual Report 2019	**March 26, 2020**
Analyst Conference for the Annual Report 2019 (München) - delayed	**March 27, 2020**
Interim Notification for the 1. Quarter 2020	**April 23, 2020**
Annual Shareholders' Meeting 2020 (Munich)	**May 18, 2020**
Analyst Conference for the Annual Report 2019	**July 23, 2020**
Interim Report for the 2. Quarter and the 1. Six Months 2020	**July 23, 2020**
Interim Notification for the 3. Quarter 2020 and the 1. Nine Monhs 2020	**October 22, 2020**

Imprint & Contact

Editor: LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG | Marienplatz 11 | 80331 Munich
Tel. +49. 89. 23691-0 | Fax +49. 89. 23691-600 | info@ludwigbeck.de | kaufhaus.ludwigbeck.de

More information about LUDWIG BECK is available at https://kaufhaus.ludwigbeck.de/en/home.
Sign up there for our financial newsletter and receive all information promptly and comprehensively!

LUDWIG BECK am Rathauseck
Textilhaus Feldmeier AG
Marienplatz 11
80331 München
kaufhaus.ludwigbeck.de