Ludwig Beck

Consolidated Interim Report 2020

for the 2nd Quarter and the 1st Six Months of the Fiscal Year 2020 for the Period from January 1 – June 30, 2020

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INTRODUCTION

LUDWIG BECK financial reporting is based on the International Financial Reporting Standards (IFRS) and corresponds to Section 37w WpHG. In general, the interim report is prepared as an update to the annual report with a focus on the current reporting period. The consolidated financial statements are in accordance with IFRS serve as the starting point for LUDWIG BECK financial reporting in accordance with the IFRS as the preferred accounting system. Therefore, the interim report should be read together with the IFRS consolidated financial statements published for the fiscal year 2019.

GENERAL ECONOMIC AND SECTORAL DEVELOPMENT

Macroeconomic development

Due to the coronavirus pandemic, the world economy and with it the German national economy entered a deep recession in the first half of the year. This is shown by the spring projection released by the Federal Government under the auspices of the Federal Ministry of Economy and Energy (BMWi) at the end of April 2020. Thus, industrial production in April fell below the level of March, which had already experienced a decline of 11 percent compared to February, again by 22 percent. As a result, the economic collapse in these two months alone was even stronger than during the financial market crisis of 2008/2009.

With the easing of contact restrictions, economic activities are slowly increasing again. However, the economic recovery will require some time, as the epidemiological risks persist and citizens and businesses have adapted their behaviour accordingly, says the BMWi. The German Council of Economic Experts expects the gross domestic product to return to pre-pandemic levels by 2022 at the earliest. Until then, the economic downturn and the pandemic-related restrictions will also put a heavy strain on the labour market. As the Federal Agency for Labour (BA) reported, the unemployment rate climbed to 2.853 million people in June—that was 637,000 more than a year ago. Every fifth unemployed person in Germany has lost their job due to the pandemic and its consequences. That the labour market has not been much worse, experts attribute to the instrument of short-time working, which reached an unprecedented level in the course of the coronavirus crisis: According to the BA, 6.8 million people were in short-time working in April, compared to a peak of around 1.4 million people during the financial market crisis.

Retail development

The coronavirus pandemic and the nationwide ordered lockdowns in the first half of the year cost stationary fashion retailers more than a third of their sales compared to the same period last year. Thus, according to a survey by the TW Testclub, the stationary fashion trade closed the first half of 2020 with a minus 35 percent on average. Ninety percent of participating retailers reported sales declined by 20 percent and more. The coronavirus pandemic thus marked an additional severe cut for the highly competitive textile retail trade, which in recent years has already had to contend with a general decline in customer frequency, unfavourable weather conditions, and a weakening buying mood. The absence of tourists, the declining frequency numbers in the inner cities and the strict hygienic measures in connection with the coronavirus pandemic visibly affected the retail trade industry.

The e-commerce sector, on the other hand, benefited from the pandemic and the lockdown, as potential customers shunned large urban centres and shopped from home. Compared to the same period of the previous year, the sector recorded an increase of 9.2 percent in the first half of the year and even grew by 16.5 percent in the second quarter.

PRESENTATION OF FIGURES IN THE INTERIM REPORT

All sums and figures in the text and the tables were calculated exactly and then rounded to the nearest million. The percentages in the text and the tables were determined using the exact (not the rounded) values.

Earnings after taxes from discontinued operations, in accordance with IFRS 5, relate to the WORMLAND segment sold as of April 30, 2019. The reporting is carried out for the continuing business divisions of LUDWIG BECK.

CONSOLIDATED PROFITABILITY

Sales

The LUDWIG BECK Group generated gross sales of € 24.8 million (previous year: € 41.0 million). With the officially ordered lockdown, all stores in Bavaria were closed from March 18, 2020, except for shops that sell consumer goods. From April 27, 2020, shops with up to 800 square metres were allowed to reopen under strict conditions and the compulsory wearing of face masks. Only our branch in the Fünf Höfe, where we offer care products, was exempt from the 800 square metres regulation and was reopened on April 6, 2020. It was only from May 11, 2020, that the square metre restrictions regarding the size of the total area were lifted again under strict hygiene requirements. These massive restrictions had a significant impact on the sales development of our Munich's Marienplatz flagship store in the first half of 2020.

Costs and Profitability
Due to the negative sales development, a mere € 9.1 million (previous year: € 16.4 million) in gross profits could be achieved in the first half year. The gross profit margin was 43.6% (previous year: 47.6%). As the Munich Marienplatz flagship store was closed for almost 8 weeks and the spring/summer season was already well advanced after reopening, the goods had to be sold with higher discounts. The cost of goods was € 11.8 million (previous year: € 18.0 million).

Other operating income was € 1.5 million (previous year: € 1.6 million).

Personnel costs fell significantly from € 8.6 million in the previous year to € 6.7 million. Due to the lockdown, LUDWIG BECK applied for short-time work, which relieved the earnings situation. Depreciation and amortisation amounted to € 3.1 million and remained at the previous year's level. Of this, as in the previous year, depreciation on rental rights, in accordance with IFRS 16, amounted to € 1.7 million. Other operating expenses, however, were reduced sharply from € 5.7 million to € 4.7 million. This was due to cost-cutting measures implemented by the management throughout the company due to the lockdown.

Earnings before interest and taxes (EBIT) amounted to € -4.0 million (previous year: € 0.7 million).

With € -1.2 million, the financial result was at the previous year's level. As in the previous year, this figure includes interest expenses of € -0.8 million from the recognition of rental agreements, in accordance with IRRS 16.

Earnings before taxes (EBT) amounted to € -5.2 million (previous year: € -0.5 million).

For LUDWIG BECK's continuing operations, earnings after taxes due to deferred tax income of € 1.8 million (previous year: € 0.3 million) amounted to € -3.3 million in the first half of 2020 (previous year: € -0.2 million).

Earnings from discontinued operations
As the sale of the WORMLAND segment was completed on April 30, 2019, there was no profit contribution from discontinued operations in the current financial year (previous year: € -17.0 million).

Overall, the profit after tax was € -3.3 million (previous year: € -17.2 million).

ASSETS

Asset structure
Total assets of the LUDWIG BECK Group as of June 30, 2020, were € 178.9 million (December 31, 2019: € 177.2 million).

With € 161.5 million (December 31, 2019: € 161.7 million), non-current assets accounted for the largest part of total assets. The main items within the non-current assets are the property at Munich's Marienplatz, LUDWIG BECK's flagship store, with a book value of approximately € 70 million and the rental rights to be recognised, in accordance with IFRS 16, which amounted to approximately € 63 million as of June 30, 2020.

Deferred tax assets which were recognised for the first time within non-current assets amounted to € 2.0 million. They relate to taxes on the losses forecast for the 2020 financial year, which LUDWIG BECK will probably incur as a result of the coronavirus pandemic. Management assumes that the expected tax losses can be offset against positive results in the future.

Current assets amounted to € 17.3 million as of the reporting date (December 31, 2019: € 15.5 million). The main items among current assets are the inventories, which contributed € 14.2 million (December 31, 2019: € 12.3 million). In addition to the coronavirus pandemic-related increase in inventories due to lower sales revenues, there are mainly seasonal reasons for the increase in inventories.

EQUITY AND LIABILITIES

Capital structure
As of June 30, 2020, the LUDWIG BECK Group's equity was € 58.2 million (December 31, 2019: € 61.6 million). The equity ratio was 32.5% (December 31, 2019: 34.8%).

Long-term liabilities decreased from € 93.5 million (December 31, 2019) to € 85.5 million. In addition to real estate loans in the amount of approximately € 20 million, they also include liabilities from rental agreements recognised in the balance sheet amounting to € 62 million. In addition to the scheduled repayments of the loans and rental liabilities, a real estate loan of just under € 6 million that is due next year had to be reclassified from long-term to short-term liabilities.

Current liabilities increased from € 22.1 million (December 31, 2019) to € 35.2 million, mainly due to the development of earnings in the first half of 2020, the financing of higher inventory levels, and the reclassification of a real estate loan.

Total liabilities amounted to € 120.7 million (December 31, 2019: € 115.6 million). As of 30 June, 2020, € 64.4 million (31 December 2020: € 65.7 million) of the total liabilities are attributable to rental agreements which are classified as financial liabilities according to IFRS 16.

Cash flows
After the first six months of 2020, cash flows from operating activities were € -5.1 million (June 30, 2019: € 2.0 million), clearly reflecting the effects of the coronavirus lockdown. Cash flows from investment activities were € -0.7 million in the reporting period (June 30, 2019: € -12.1 million). The previous year was burdened by an additional payment of € 11.5 million in connection with the sale of the

WORMLAND segment. Cash flows from financing activities were € 5.8 million (June 30, 2019: € 12.7 million).

EMPLOYEES

In the first half of 2020, the number of employees was 403 (excluding trainees), in accordance with Section 267 (5) HGB (June 30, 2019: 417). Weighted by full-time employees, the number of employees fell from 283 in the previous year to 271. The number of apprentices in the LUDWIG BECK Group was 41 (June 30, 2019: 42). For comparability reasons with previous year figures, the number of employees has not been adjusted for short-time working during the lockdown. LUDWIG BECK uses the possibility of short-time working during the coronavirus crisis to secure jobs in the long term.

OPPORTUNITY AND RISK REPORT

As part of its activities in the sales markets, the LUDWIG BECK Group is exposed to a wide variety of opportunities and risks associated with entrepreneurial activity. These are described in detail in the company's current annual report for the year 2019 on page 63 onwards.

You can find the report on the company's website at **www.ludwigbeck.de/kaufhaus** in the "Investor Relations" section under "Financial Publications".

FORECAST REPORT

General economic conditions and developments in the retail sector

At the beginning of the year, the Federal Ministry of Economy and Energy (BMWi) forecast another increase in the gross domestic product (GDP) for the year 2020 of 1.1 per cent as well as an unchanged unemployment rate of approx. 5 percent. However, the global coronavirus pandemic has led the economy into a deep recession. The federal-wide lockdown measures have drastically reduced economic performance since March 2020. With the easing of contact restrictions, economic activities have been slowly increasing again since May. According to our expectations, the ongoing recovery process in the second half of the year and beyond will presumably only take place slowly and thus take a longer period of time. The external economic impulses will also remain weak in the long run, and the behavioural changes of citizens and the economy will continue to exist because of the risk of a resurgence of the epidemic. In its spring projection published at the end of April, the BMWi now expects a price-adjusted decline in GDP in 2020 by 6.3 per cent compared to the previous year.

Many citizens are likely to face personal consequences after the end of the employment boom. According to forecasts by the Leibnitz Institute for Economic Research (IWH), the unemployment rate will increase from 5 percent in 2019 to 6.3 percent. With the decline in purchasing power, the consumption propensity of the people in Germany will probably also fall dramatically. Thus, despite the temporary reduction in sales tax, the BMWi is expecting a 7.4 percent decrease in consumer spending for 2020.

LUDWIG BECK 2020

LUDWIG BECK started the new year 2020 quite well with a tight par at the group level, despite one sale day less. Beginning in mid-February, however, there were significant frequency declines due to the coronavirus pandemic. Due to the lockdown prescribed by the state government from March 18 to mid-May, LUDWIG BECK suffered a significant drop in sales. Although the online business in the beauty sector developed very positively, it was far from being able to compensate for the massive drop in sales resulting from the closure of the stationary trade. However, LUDWIG BECK did not remain idle and focused even more strongly on the online business, establishing a new strategic platform with the launch of a new online fashion shop in mid-May. LUDWIG BECK thus intensified the online shopping offering for its customers and countered the sales decline caused by the overall decrease in traffic frequency in the city centres. One major challenge for both Munich and LUDWIG BECK as a traditional Bavarian costume specialist is the cancellation of the Oktoberfest and the resulting loss of sales.

Since the situation in the trade sector is slowly returning to normal, management expects gross sales of between € 63.0 and € 70.0 million for the LUDWIG BECK Group in the current financial year 2020 (financial year 2019: € 95.3 million) and earnings before taxes (EBT) of between € -5.0 and -3.0 million (financial year 2019: € 4.6 million). These figures are based on the assumption that there will be no renewed tightening of official orders in connection with the "coronavirus" and no “second wave” of coronavirus infections in autumn.

APPENDIX

Accounting according to International Financial Reporting Standards (IFRS)

The present quarterly financial statements of the LUDWIG BECK AG Group as of June 30, 2020, have been prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

Presentation method

The quarterly financial statements are prepared in accordance with IAS 34 (interim reporting).

Accounting and valuation methods

The same accounting and valuation methods are used in the quarterly financial statements as in the consolidated financial statements as of December 31, 2019. A comprehensive description of these methods is published in the notes to the IFRS consolidated financial statements as of December 31, 2019.

Confirmation of the legal representative § 37y WpHG and Section 37 (2) No. 3 WpHG

"To the best of our knowledge, we assure that, in accordance with the accounting principles to be used for the interim reporting, the interim consolidated financial statement provides a true and fair view of the net assets, financial position, and results of operations of the Group, and the interim Group management report presents the development and the performance of the business and the position of the Group so as to provide a true and fair view, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Consolidated Statement of Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF
LUDWIG BECK AM RATHAUSECK - TEXTILHAUS FELDMEIER AG, MUNICH,
FOR THE PERIOD JANUARY 1 - JUNE 30, 2020, ACCORDING TO IASB PROVISIONS

		01/01/2020 - 30/06/2020		**01/01/2019 - 30/06/2019**		**01/04/2020 - 30/06/2020**		**01/04/2019 - 30/06/2019**	
			€m		**€m**		**€m**		**€m**
1.	Sales revenue								
	– Gross sales	24.8		41.0		9.4		21.1	
	– less VAT	4.0		6.5		1.5		3.4	
	– Net sales		20.9		34.5		7.9		17,8
2.	Other own work capitalized		0.0		0.0		0.0		0,0
3.	Other operating income		1.5		1.6		0.9		0,9
			22.4		**36.0**		**8.8**		**18,7**
4.	Cost of materials	11.8		18.0		4.7		9.0	
5.	Personnel expenses	6.7		8.6		3.0		4.5	
6.	Depreciation	3.1		3.1		1.6		1.5	
7.	Other operating expenses	4.7	26.3	5.7	35.4	2.1	11.3	2.9	17,9
8.	**Earnings before interests and taxes (EBIT)**		**-4.0**		**0.7**		**-2.5**		**0,7**
9.	Financial result		-1.2		-1.2		-0.6		-0,6
	– thereof financial expenses: as of 30/06: € 1.2 m (previous year: € 1.2 m) 2nd quarter: € 0.6 m (previous year: € 0.6 m)								
10.	**Earnings before taxes (EBT)**		**-5.2**		**-0.5**		**-3.1**		**0,2**
11.	Taxes on income		-1.8		-0.3		-1.1		0,0
12.	**Earnings after taxes from discontinued operations**		**-3.3**		**-0.2**		**-2.0**		**0,2**
13.	Earnings after taxes from continued operations		0.0		-17.0		0.0		-14,9
14.	**Earnings after taxes**		**-3.3**		**-17.2**		**-2.0**		**-14,7**
Diluted and undiluted earnings per share in €			-0.9		- 4.65		-0.54		-3.98
Average number of outstanding shares in million.			3.70		3.70		3.70		3.70

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK - TEXTILHAUS FELDMEIER AG, MUNICH, AS OF JUNE 30, 2020, ACCORDING TO IASB PROVISIONS

Assets	**30/06/2020**	**31/12/2019**
	€m	**€m**
A. Long-term assets		
I. Intangible assets	4.5	4.4
II. Property, plant, and equipment	154.9	157.1
III. Other assets	0.1	0.1
IV. Deferred taxes	2.0	0.0
Total long-term assets	**161.5**	**161.7**
B. Short-term assets		
I. Inventories	14.2	12.3
II. Receivables and other assets	2.5	2.5
III. Cash and cash equivalents	0.6	0.6
Total short-term assets	**17.3**	**15.5**
	178.9	**177.2**

Liabilities	**30/06/2020**	**31/12/2019**
	€m	**€m**
A. Shareholders’ equity		
I. Subscribed capital	9.4	9.4
II. Capital reserves	3.5	3.5
III. Accumulated profit	46.1	49.5
IV. Other equity components	-0.8	-0.8
Total shareholders’ equity	**58.2**	**61.6**
B. Long-term liabilities		
I. Financial liabilities	82.2	90.2
II. Accruals	2.8	2.9
III. Deferred taxes	0.4	0.4
Total long-term liabilities	**85.5**	**93.5**
C. Short-term liabilities		
I. Financial liabilities	30.3	16.6
II. Trade liabilities	1.2	1.1
III. Tax liabilities	0.0	0.0
IV. Other liabilities	3.7	4.4
Total short-term liabilities	**35.2**	**22.1**
Total debt (B. + C.)	**120.7**	**115.6**
	178.9	**177.2**

Consolidated Segment Reporting

FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2020

	Textile		**Non-textile**		**Group**	
	€m	%	**€m**	%	**€m**	%
Gross revenues	**16.0**	**119.0**	**8.8**	**119.0**	**24.8**	**119.0**
Previous year	*29.6*	*119.0*	*11.4*	*119.0*	*41.0*	*119.0*
VAT	-2.6	19.0	-1.4	19.0	-4.0	19.0
Previous year	*-4.7*	*19.0*	*-1.8*	*19.0*	*-6.5*	*19.0*
Net revenues	**13.4**	**100.0**	**7.4**	**100.0**	**20.8**	**100.0**
Previous year	*24.9*	*100.0*	*9.5*	*100.0*	*34.4*	*100.0*
Cost of sales*	-8.0	59.5	-4.4	59.6	-12.4	59.6
Previous year	*-13.1*	*52.6*	*-5.7*	*59.6*	*-18.8*	*54.6*
Gross profit	**5.4**	**40.5**	**3.0**	**40.4**	**8.4**	**40.4**
Previous year	*11.8*	*47.4*	*3.9*	*40.4*	*15.6*	*45.5*
Personnel expenses	-1.7	12.5	-1.1	15.1	-2.8	13.4
Previous year	*-2.2*	*8.9*	*-1.5*	*16.0*	*-3.7*	*10.9*
Imputed expenditure on premises	-5.2	39.1	-1.1	14.4	-6.3	30.3
Previous year	*-5.2*	*20.9*	*-1.2.*	*12.1*	*-6.3*	*18.4*
Imputed interest expenses	-0.4	3.3	-0.2	3.0	-0.7	3.2
Previous year	*-0.4*	*1.7*	*-0.2*	*2.3*	*-0.6*	*1.8*
EBIT	**-1.9**	**-14.3**	**0.6**	**7.9**	**-1.3**	**-6.4**
Previous year	*4.0*	*16.0*	*1.0*	*10.0*	*4.9*	*14.3*

** excluding rebates and discounts etc.*

Consolidated Segment Reporting

FOR THE PERIOD FROM APRIL 1 - JUNE 30, 2020

	Textile		Non-textile		Group	
	€m	%	**€m**	%	**€m**	%
Gross revenues	**5.5**	**119.0**	**3.9**	**119.0**	**9.4**	**119.0**
Previous year	*15.2*	*119.0*	*5.8*	*119.0*	*21.1*	*119.0*
VAT	-0.9	19.0	-0.6	19.0	-1.5	19.0
Previous year	*-2.4*	*19.0*	*-0.9*	*19.0*	*-3.4*	*19.0*
Net revenues	**4.7**	**100.0**	**3.4**	**100.0**	**8.0**	**100.0**
Previous year	*12.8*	*100.0*	*4.9*	*100.0*	*17.7*	*100.0*
Cost of sales*	-2.9	61.7	-1.9	57.2	-4.8	59.9
Previous year	*-6.5*	*50.2*	*-2.9*	*58.9*	*-9.3*	*52.6*
Gross profit	**1.9**	**38.3**	**1.4**	**42.8**	**3.2**	**40.1**
Previous year	*6.4*	*49.8*	*2.0*	*41.1*	*8.4*	*47.4*
Personnel expenses	-0.7	15.3	-0.5	13.7	-1.2	14.7
Previous year	*-1.1*	*8.9*	*-0.8*	*15.8*	*-1.9*	*10.8*
Imputed expenditure on premises	-2.6	56.4	-0.5	16.0	-3.2	39.6
Previous year	*-2.6*	*20.2*	*-0.6*	*11.8*	*-3.2*	*17.9*
Imputed interest expenses	-0.2	4.7	-0.1	3.4	-0.3	4.2
Previous year	*-0.2*	*1.6*	*-0.1*	*2.3*	*-0.3*	*1.8*
EBIT	**-1.8**	**-38.2**	**0.3**	**9.6**	**-1.5**	**-18.3**
Previous year	*2.4*	*19.0*	*0.5*	*11.1*	*3.0*	*16.9*

** excluding rebates and discounts etc.*

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT OF LUDWIG BECK AM RATHAUSECK - TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2020, ACCORDING TO IASB PROVISIONS

€m	01/01/2020 – 30/06/2020	01/01/2019 – 30/06/2019
Cash flow from operating activities:		
Earnings before taxes	-5.2	-0.5
Adjustments for:		
+ Depreciation on long-term assets	3.1	3.1
- Interest income	0.0	0.0
+ Interest expenses	1.2	1.8
Operating result before changes to net working capital	**-0.9**	**4.3**
Increase/decrease (-/+) in assets:	-2.0	-0.3
Increase/decrease (-/+) in liabilities:	-0.7	1.1
Cash flow from operating activities (before interest and tax payments)	**-3.6**	**5.1**
Interest paid	-1.2	-1.8
Disbursements to other shareholders	-0.1	-0.1
Taxes on income paid	-0.2	-1.1
A. Cash flow from operating activities	**-5.1**	**2.0**
Disbursements for investments in fixed assets	-0.7	-0.6
Seller contribution WORMLAND	0.0	-11.5
B. Cash flow from investing activities	**-0.7**	**-12.1**
Acceptance/repayment (+/-) of bank loans and loans from insurance comp.	7.1	14.0
Acceptance/repayment (+/-) of other loans	-1.3	-1.3
C. Cash flow from financing activities	**5.8**	**12.7**
D. Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	**0.0**	**2.6**
Cash and cash equivalents at the beginning of the period	0.6	1.7
Deconsolidation effects	0.0	-0.8
Change in D.	0.0	2.6
Cash and cash equivalents at the end of the period	**0.6**	**3.4**

Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL OF LUDWIG BECK AM RATHAUSECK - TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2020, ACCORDING TO IASB PROVISIONS

€m	Subscribed capital	Capital reserve	Accumulated profit	Other equity components	Total
As per 01/01/2020	**9.4**	**3.5**	**49.5**	**-0.8**	**61.6**
Earnings after taxes			-3.3		-3.3
Disbursements to other shareholders			-0.1		-0.1
As per 30/06/2020	**9.4**	**3.5**	**46.1**	**-0.8**	**58.2**
As per 01/01/2019	**9.4**	**3.5**	**63.4**	**-0.5**	**75.8**
Earnings after taxes			-17.2		-17.2
Disbursements to other shareholders			-0.1		-0.1
As per 30/06/2019	**9.4**	**3.5**	**46.1**	**-0.5**	**58.4**