

LUDWIG BECK

LUDWIG BECK

*Annual Report 2015*

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LUDWIG BECK · *Annual Report 2015*

LUDWIG BECK

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LUDWIG BECK

*Annual Report 2015*

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*Picture: The flagship store at Marienplatz in Munich*

# STORE *of the Senses*

DISTINCTIVE, EASY TO REACH,  
EMBEDDED IN TRADITION: LUDWIG BECK  
CONDUCTS ITS CORE BUSINESS  
IN ONE OF EUROPE'S PRIME  
CITY CENTER LOCATIONS.

# THE EYE-CATCHER *at Marienplatz*

LUDWIG BECK'S SEASONALLY DRESSED DISPLAY WINDOWS  
FORM PART OF AN OVERALL VISUAL CONCEPT RELYING  
ON SENSUALITY AS A MAGICAL ELEMENT IN STAGING.

*Picture: The Fall/Winter 2015 display window of the flagship store*





## CLEAR THE STAGE *for icons of style*

CREATIVE FORMS AND UNCONVENTIONAL MATERIALS  
LEND A SPECIAL FLAIR TO PRODUCT PRESENTATIONS.

*Picture: 'Energetic Silence' – the display window concept in spring 2015*



## EMOTIONALLY INSPIRED *showcasing for the season*

THE WEEKS BEFORE CHRISTMAS ARE TRADITIONALLY THE MOST LUCRATIVE OF THE YEAR. LUDWIG BECK'S CELEBRATION CONVEYS A SPECIAL VISUAL EXPERIENCE.

*Picture: Enchantment of the Advent season according to the motto 'Christmas has a Home'.*



*Picture: A mecca for men's fashion: the WORMLAND store in Hanover*



# LUDWIG BECK

*At a glance*

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# MISSION

## Statement

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.

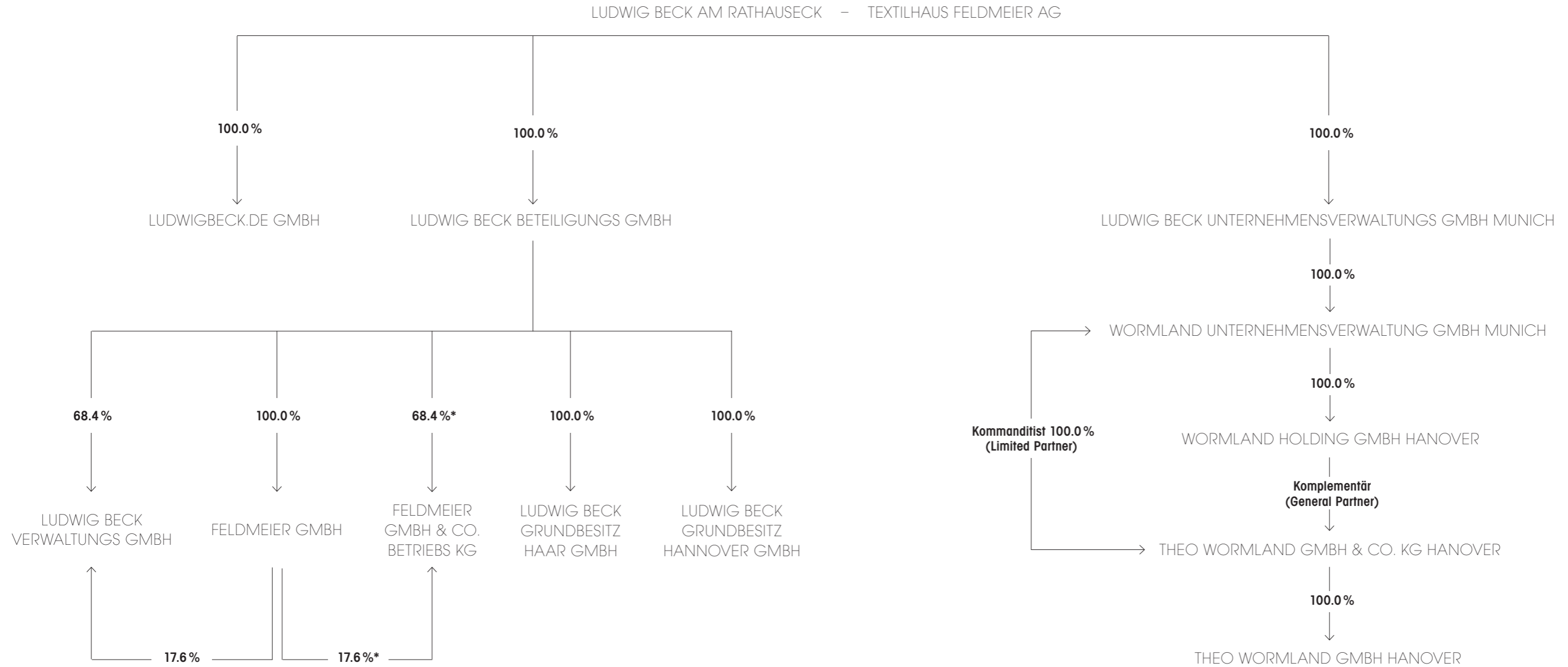


Picture: LUDWIG BECK's campaign: Men Business

## KEY FIGURES OF THE GROUP

Key figures of the Group		2015	2014	2013	2012	2011
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
<b>Result</b>						
Sales (gross)	€m	158.6	102.7	102.1	103.2	103.3
VAT	€m	25.3	16.4	16.3	16.5	16.5
Sales (net)	€m	133.3	86.3	85.8	86.7	86.8
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	64.5	42.7	43.4	43.8	44.3
	%	48.4	49.5	50.6	50.6	51.1
Earnings before interest, taxes, depreciation & amortization (EBITDA)	€m	22.3	13.4	15.1	16.8	15.6
	%	16.8	15.6	17.6	19.4	18.0
Earnings before interest & taxes (EBIT)	€m	18.3	10.6	12.3	13.9	12.9
	%	13.7	12.3	14.4	16.0	14.8
Earnings before taxes (EBT)	€m	17.3	9.5	10.8	12.1	11.3
	%	12.9	11.0	12.6	13.9	13.0
Consolidated net profit	€m	15.2	6.7	7.4	8.6	8.8
	%	11.4	7.8	8.6	9.9	10.1
<b>Balance sheet</b>						
Equity	€m	79.4	67.2	64.4	59.7	53.7
Equity ratio	%	60.2	60.5	60.6	56.5	49.9
Return on equity before taxes	%	21.7	14.2	16.8	20.2	21.0
Investments	€m	2.2	6.5	3.2	2.4	11.6
Balance sheet total	€m	131.9	111.1	106.3	105.6	107.6
<b>Personnel</b>						
Employees	Individuals	816	478	463	471	473
Personnel expenses	€m	26.4	17.7	17.0	16.4	16.7
	%	19.8	20.5	19.8	18.9	19.2
Net sales per employee (average)	€k	244.1	255.3	259.3	257.3	256.8
<b>Per share</b>						
Number of shares	m	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	4.11	1.81	2.00	2.32	2.37
Dividends	€	0.75	0.75	0.50	0.50	0.45
<b>Other details (as of December 31)</b>						
Sales area	sqm	27,200	12,415	11,589	11,557	12,486
Gross sales per square meter	€/sqm	5,832	8,271	8,813	8,927	8,271

# GROUP STRUCTURE



\*rounded



*Picture: Designed in stylish fashion – the WORMLAND store in Berlin*

# 2 TO OUR Shareholders

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# LUDWIG BECK

## *Executive Board*

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### DIETER MÜNCH

MEMBER OF THE EXECUTIVE BOARD  
OF LUDWIG BECK AG

Dieter Münch's first contact with LUDWIG BECK was as an intern during his business economics studies at Munich's University of Applied Sciences. Struck by the special LUDWIG BECK flair, he started his career in LUDWIG BECK AG's Controlling department on his graduation with a degree in Business Economics (UAS) in 1980. Following various positions in the company he was called to the Executive Board in April 1998, where he is responsible for Finance, Personnel and IT.

### CHRISTIAN GREINER

MEMBER OF THE EXECUTIVE BOARD  
OF LUDWIG BECK AG

In 2004, Christian Greiner developed the Young Fashion concept U1 for Rudolf Wöhr 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.



*Picture: Dieter Münch and Christian Greiner, members of the Executive Board of LUDWIG BECK*

## DIRECTORS' DIALOGUE

IN CONVERSATION WITH DIETER MÜNCH AND CHRISTIAN GREINER

LUDWIG BECK Executive Board members Dieter Münch and Christian Greiner look back at the highlights of the 2015 fiscal year and share how the group deals with the current turning point in fashion trade by relying on its own resources.

**Mr. Münch, Mr. Greiner, in May 2015 LUDWIG BECK made for big headlines and caught the attention of the whole sector when it acquired WORMLAND.**

**Dieter Münch:** On May 12, LUDWIG BECK acquired all shares in WORMLAND Unternehmensverwaltung GmbH via a subsidiary. The GmbH's subsidiary, THEO WORMLAND GmbH & Co. KG, operates a network of 15 men's fashion branches in 11 large German cities.

**Christian Greiner:** This step was the year's dominant topic for us. The acquisition of WORMLAND gave us a unique opportunity which we purposefully realized. In one single go the market perspectives of the group improved enormously. And precisely in the very segment we have been focusing on for a while.

**WORMLAND is renowned as a men's fashion provider and outfitter with strong connections to the lifestyle culture.**

**Christian Greiner:** Not only that: In the WORMLAND cosmos, music, art and design play important roles well – as is the case with LUDWIG BECK. Covering the whole range from newcomer label to renowned high-end fashion brands WORMLAND has unique expertise in the field of exclusive men's fashion. Well-versed customer advising and customer orientation form part of a store concept divided into the segments WORMLAND and THEO.

**Dieter Münch:** With its exclusive products, WORMLAND attracts self-confident men who appreciate an esthetic, fashionable appearance. This is a group of smart, successful buyers. THEO takes a less classic approach and rather represents a casual urban style. Both

*Picture: Motif from the Fall/Winter 2015 edition of the WORMLAND magazine*

complement each other very well. For decades, LUDWIG BECK has focused on marketing high-end women's fashion, rounded off by accessories and beauty products. Our target group is comprised of traditionally fashion-conscious, lifestyle-oriented, well-funded women. The male target group addressed in the men's fashion department on the lower ground floor at Marienplatz in Munich was somewhat underrepresented from our current point of view.

**Christian Greiner:** The premium segment served by LUDWIG BECK saw the fashion-savvy man gain more and more importance in recent years, a man cutting his own path in fashion and wanting to define his self-image also through exclusive clothing, a man, who has discovered fashion as a counterpart to his performance readiness.

**Dieter Münch:** We call this target group the new man, an exciting development which, in 2014, we facilitated by restructuring and enlarging the men's fashion department to a sales area now spanning 1,500 sqm. This fundamental refurbishment was one of the most ambitious projects ever undertaken in the company's history. At that point at the latest, men's fashion took center stage – on an equal footing, as it were. At that time, we spoke of an approximation of genders in regard of fashion-consciousness.

**Christian Greiner:** When I talk about a unique opportunity, I mean the expansion of our activities throughout Germany. While we used to serve the new man mainly in Munich and the city's catchment area, we can now reach him in the country's large cities through a network of WORMLAND branches. So the path is laid for us to become one of the leading providers of exclusive men's fashion in Germany.

**Dieter Münch:** I would like to add that the integration of WORMLAND into our group was not only pursued in view of immensely increased opportunities – we have always been well aware of our great responsibility towards our tradition-rich brand and our employees. We also believe that WORMLAND and LUDWIG BECK run on related DNA which should be preserved and augmented.

**Christian Greiner:** The acquisition of WORMLAND, even though it may have been perceived by the market as a spectacular individual event, followed a certain strategy with staying power and clear-cut goals: LUDWIG BECK is engaged in a step-by-step process of constantly tapping the potentials of each individual segment. Departments and segments are scrutinized and further developed with meticulous planning. There is always a discernible pattern – be it in regard to our beauty oasis HAUTNAH, the launching of our online

platform ludwigbeck.de or the already mentioned refurbishment of the men's fashion department. And this pattern reflects the values for which LUDWIG BECK is known in the market: stability, healthy growth and reliability.

*LUDWIG  
BECK AND  
WORMLAND  
POSSESS A  
SIMILAR DNA.*

**Dieter Münch:** In this context, our online offer should absolutely be highlighted. More than 100 brands – many of them exclusively available at the ludwigbeck.de platform – have found a constantly growing group of buyers in the beauty and cosmetics sector. The portal recorded strong growth since its launch in 2012. When pondering on our brand's prospects for the future, one should certainly take a look at the sensual, enticing, almost haptic staging of our product range on the Internet. Each product is telling a story. You can dive into the world of LUDWIG BECK from anywhere you want.

**Where is this pattern still identifiable?**

**Christian Greiner:** Unmistakably in the trading up strategy that we have been implementing in every department since 2004. Permanent upgrading of our product range is one of the characteristic features of our corporate policy. In order to appreciate and meet our target groups' demand for exclusiveness and trendsetting without compromise we regularly subject our assortments, brands and products to a meticulous evaluation of their attractiveness. We make every effort to obtain exclusive distribution rights for popular labels, give fashion newcomers a chance and cultivate luxurious, tradition-rich brands.

**Dieter Münch:** In 2015 for instance, we launched a new counter for the Australian cult brand Aesop in our beauty department – the first one in all of Germany. The fragrance line Cloon Keen Atelier from Ireland and a number of other brands are in our country only available at LUDWIG BECK at Marienplatz. But not only the brands make us special: In April, our partner Feinkost Käfer opened a bistro and a shop on the 2<sup>nd</sup> floor of our flagship store which allow shoppers to enjoy the culinary side of our offer's sterling quality as well.

**Christian Greiner:** Development and cultivation of our product range are our guarantors of stability. This includes spectacular shop window displays arranged several times a year by the creative ones among us and at times by well-known artists. Our newly set up departments, like the men's fashion department, enjoy great popularity – not only among customers. In April, at the Global Shop expo LUDWIG BECK was awarded the A.R.E. Design Award Gold for its refurbished men's fashion department. In the *Department Within Store* category we were even able to prevail against the department store chain Macy's.

# NEW MEN

## 2016

**Dieter Münch:** Sustainability is a catchword of our time. We turn this idea into reality through dynamics defined and promoted by us, our own innovations and our ability to reinvent ourselves again and again.

**The German textile retail trade seems to be stuck with a lot of problems: basic climatic conditions become more and more erratic, and international crises as well as internal political tensions are vexing customers. Even though people are still in an elevated shopping mood, shopping for fashion items is not their priority. How does LUDWIG BECK respond to this already chronic situation?**

**Dieter Münch:** We had to go through all the imponderabilities mentioned. LUDWIG BECK is internationally oriented. Each day, customers from all over the world who are on vacation in Munich visit our store. Affluent shoppers from Eastern Europe used to be part of our customer base. As a consequence of the crisis in Ukraine and economic tensions Munich – us included – had to put up with a painful decrease in tourist numbers. There is no doubt about it: We and our customers are not unmoved when we hear news about terrorism in Paris, tensions in Syria and the refugee crisis in the

Mediterranean region; they give us cause for concern and make us even more sensitive. So LUDWIG BECK is feeling the effects of these global dynamics.



**Christian Greiner:** But we drew our own conclusions: There will always be changes that we cannot control, but respond to in our own way. Whatever outside influences may affect our company – with our traditionally strong economic pace we will always be able to cushion

## SERVICE OFFENSIVE

Exceptional services result in customer satisfaction. A small selection:

### Personal Shopping

Trends, colors, cuts, brands – Personal Shopping means having a capable style advisor at your side who always finds the outfit to match your personality.

### Corporate Fashion Service

LUDWIG BECK offers companies comprehensive advice on unified staff clothing for the office, trade fairs, customer meetings as well as service personnel.

### Makeup Service

LUDWIG BECK offers individual makeup advice and appointments at its MAC, Bobbi Brown, Laura Mercier and Benefit counters.

### Beauty Treatments

A selection of beauty partners provide exclusive short introductory treatments in the beauty cabins at Marienplatz.

### Hairstyling

Customers in the Beauty department can drop by the AVEDA counter for a fresh hair styling – or with an appointment, for a special occasion.

An overview of the full range of services is available under [stories.ludwigbeck.de](http://stories.ludwigbeck.de).

critical situations. This was evidenced again and again in the past. For years, LUDWIG BECK has obviously been decoupled from the negative trend that hit the German fashion trade for a variety of reasons. Burdened with highly negative effects from previous years, the sector closed 2015 at par. LUDWIG BECK, however, was able to achieve a moderate like-for-like 1.2% growth in a less than easy time for the sector.

**Dieter Münch:** Also in 2015, the stock markets were dominated by high volatility. Nevertheless, the LUDWIG BECK share recorded a rather neutral development, and our shareholders know and appreciate our strength as a reliable dividend payer.

**What makes the difference? Is LUDWIG BECK using an alternative approach?**

**Dieter Münch:** We are dealing with a highly complex web of causes. Neither is there the one significant mistake nor the one solution for everything. The sector is constantly changing, balances are shifting, new scenarios and opportunities are arising while old ones are disappearing. One should not rush to the conclusion that the textile retail trade is in crisis. There are evolutionary forces at work that will clear out a lot of things and create new, exciting facts.

**Christian Greiner:** A current study by the Cologne-based Institute for Economic Research, KPMG management consulting and the Federal Association of German textile retailers produced an interesting result: The dreaded mass extinction of fashion shops is not going to happen. According to the study, only about 4%, i. e. about 2,500, of today's shops will have disappeared by 2025, meaning that the brick-and-mortar retail business would only lose a market share of approximately two percentage points. This is in stark contrast to other doom-and-gloom forecasts planted by so-called insiders. Furthermore, losses in brick-and-mortar trade are counterbalanced by additional gains in online trade, which is expected to soar 36% within the next ten years. The message conveyed by the study is clear: The fashion retail trade will remain the dominant distribution channel, with only a minor drop in market shares. Whoever is able to rise to demographic developments, withstand innovative pressures and meet increasing customer demands, will have a good hand in the German fashion market of the future, according to the forecast.

*LUDWIG BECK* ALSO  
OFFERS PREMIUM  
QUALITY *SERVICE*.

**Dieter Münch:** With the points just mentioned you have very nicely sketched the line LUDWIG BECK is following. Something is happening out there. Consumers are re-evaluating their situation, the world keeps turning. Therefore, we should muster the courage to accept changes on a large scale and even become a part of them.

**Christian Greiner:** Consumer behavior is definitely in flux. But hasn't it always been that way? We took action in 2012 and launched our online platform [ludwigbeck.de](http://ludwigbeck.de) – thus creating growth potential by specifically responding to the strong trend towards online shopping in the premium segment seen with many buyers.

**Dieter Münch:** Let's be honest. The classical retail concept has had its day. With the high availability of many products came a longing to consume fashion also aside from smartphone or tablet, but also away from exchangeable store settings. Quality gains more and more importance. There is more focus on ecological aspects as well as a variety of ethical factors. The consciousness of modern Europeans is rearranging itself in many ways – and will affect buying behavior in regard to fashion, brands and trends.

**Christian Greiner:** One could draw on psychological models to find explanations. But our customers whose day-to-day world is often mechanized, optimized and rationalized to the minutest detail, sometimes just wish for a spark of magic, sensuality and inexplicable enchantment to take them along or that can be taken along. Our employees have their fair share in creating this magic. Instead of being the service providers behind the counter we act as consulting partners with exemplary fashion expertise. Our employees' knowledge, significant experience and passion in interacting with customers cannot be found on any online platform. Here, we can prove our worth as a classical brick-and-mortar retailer and put the mere Internet shop to a tough test. Many customers also appreciate the special services we offer, like fashion or beauty advising by our qualified staff.

**Dieter Münch:** In addition to all that we have already mentioned, the staff's quasi magical presence contributes largely to the attractiveness of the *Store of the Senses*. Creativity, joyfully staged products and playfulness combined with top-class product worlds and extraordinary quality of advice, that's what sets LUDWIG BECK apart.

## SUPERVISORY BOARD'S REPORT

In the 2015 reporting year, the Supervisory Board dealt extensively with the company's and the group's current situation and development as well as their strategic positioning, exercising its advisory and controlling functions towards the Executive Board with great care and diligence. The Supervisory Board held a total of five sessions and discussed questions of corporate planning, the acquisition and integration of WORMLAND, corporate policy, risk position and risk management with the Executive Board. The Supervisory Board supported and monitored the work of the Executive Board.

The Supervisory Board essentially based its work on the verbal and written reports, as defined by Section 90 Joint Stock Corporation Act (AktG), which were submitted by the Executive Board both within and outside formal meetings of the Supervisory Board and its committees. The Executive Board kept the Supervisory Board fully abreast of all relevant developments concerning the company and the Group in a regular, direct and comprehensive manner, both verbally and in written form. In particular, the reporting covered proposed corporate policy and other fundamental issues of corporate planning arising for instance in connection with the integration of WORMLAND. Other important topics included the profitability of the company, ongoing business developments, risk management, internal control systems, compliance, transactions having substantial impact on the profitability and liquidity of LUDWIG BECK AG and of the Group as well as investment and divestment decisions.

The Supervisory Board was involved in all significant strategic corporate decisions which it thoroughly discussed, checked and – where necessary – approved. The Executive Board fully complied at all times with its duty to provide information. There was no need for additional or supplementary reporting from the Executive Board. Within the scope of its monitoring function, the Supervisory Board was fully satisfied of the legality and correctness of the Executive Board's corporate management. The Supervisory Board discussed the organization of the company and the group with the Executive Board and was convinced of its efficiency.

Furthermore, the Supervisory Board and the Executive Board regularly discussed corporate opportunities and risks. The Executive Board informed the Supervisory Board of potential or occurred risk scenarios, and effective solutions were worked out in joint deliberations. Considerations also focused on engaging opportunities that best serve the company's economic interests.

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

### FIVE MEETINGS IN 2015

The five scheduled meetings of the Supervisory Board which took place on March 30, May 6, May 13, September 17 and December 2, 2015, were regularly attended by all acting members of the Supervisory as well as by the members of the Executive Board. Deliberations particularly concerned ongoing business developments as well as corporate strategy and its realization in the company and its subsidiaries.

According to Section 171 par. 1 Joint Stock Corporation Act (AktG), a representative of the company's auditor also took part in the balance sheet meeting on March 30, 2015. At that meeting the company's annual financial statements and the consolidated financial statements were adopted, the management report and the consolidated management report were reviewed, the Supervisory Board's report was authorized and the detailed planning for 2015 and the medium-term planning for 2016/2017 was agreed. Another subject of the meeting was endorsing resolution proposals for the agenda items for the Annual General Meeting 2015.

On May 6, 2015, an extraordinary meeting was held by conference call which dealt with the acquisition of the men's fashion store chain WORMLAND and the questions arising in this context.

Former chairman of the Supervisory Board, Dr. Joachim Hausser, reached the age of 70 in October 2014. Consequently, in line with the bye-laws, he resigned from the Supervisory Board upon close of the Annual General Meeting on May 13, 2015. On the same day the Annual General Meeting elected Mrs. Clarissa Käfer as a new member to the Supervisory Board. Subsequent to the Annual General Meeting a constitutive meeting of the Supervisory Board was held and Dr. Steffen Stremme was elected as the new chairman of the Supervisory Board. Mr. Hans Rudolf Wöhrle was elected as the new vice chairman of the Supervisory Board. At the same meeting new members for the company's committees were appointed and the developments of the fiscal year 2015 discussed.

Until the close of the Annual General Meeting on May 13, 2015 the Supervisory Board was composed of the members Dr. Joachim Hausser (chairman), Mrs. Edda Kraft (vice chairwoman), Mr Hans Rudolf Wöhrle and Dr. Steffen Stremme as well as employee representatives Mr. Philip Hassler and Mr. Michael Neumaier. As of the close of the Annual General Meeting on May 13, 2015, the Supervisory Board consists of the members Dr. Steffen Stremme (chairman), Mr. Hans Rudolf Wöhrle (vice chairman), Mrs. Edda Kraft, Mrs. Clarissa Käfer as well as the two employee representatives Mr. Philip Hassler and Mr. Michael Neumaier.

There were no changes to the Executive Board of LUDWIG BECK AG in 2015.

In its fourth session on September 17, 2015, the Supervisory Board addressed current business developments as well as the company's 2015 semi-annual results.

In its last meeting on December 2, 2015, the Supervisory Board debated developments in the fourth quarter of the ending fiscal year and occupied itself with the Executive Board's preliminary planning for the 2016 fiscal year. Furthermore, the Corporate Governance Code Declaration of Conformity was approved.

The members of the Supervisory Board disclose potential conflicts of interest to the Supervisory Board. No conflicts of interest occurred in the 2015 fiscal year.

The Supervisory Board, and especially the Chairman of the Supervisory Board, maintained regular contact with the members of the Executive Board also beyond the scope of these meetings, and was kept up to date on current business developments at all times.

### AUDIT COMMITTEE

The Supervisory Board has established two committees, the audit committee and the management and personnel committee.

In 2015, the audit committee convened for two meetings held on March 30 and May 13, 2015. All acting members of the committee attended the meetings. The audit committee was mainly concerned with financial accounting and the audit of the annual financial statements, as well as the areas of risk management and compliance. On the basis of a report by the chairman of the committee, the committee, in its meeting on March 30, 2015, resolved to propose to the Supervisory Board to approve the annual financial statements and the consolidated financial statements for the fiscal year 2014, to review the consolidated management report and the management report of LUDWIG BECK AG for the 2014 fiscal year, and to confirm the auditors' declaration of independence. In addition, the committee decided to recommend to the Supervisory Board commissioning Munich auditors BTU Treuhand GmbH for the annual audit for the 2015 fiscal year.

After the withdrawal of Dr. Joachim Hausser from the Supervisory Board of LUDWIG BECK AG, new members were appointed to the audit committee after the Annual General Meeting on May 13, 2015. Before the Annual General Meeting, the committee was composed of the members Dr. Steffen Stremme (chairman), Dr. Joachim Hausser and Mrs. Edda Kraft. After the Annual General Meeting, Mrs. Clarissa Käfer was elected to the audit committee as new member and chairwoman. Dr. Steffen Stremme as well as Mrs. Edda Kraft were also members of the audit committee.

## MANAGEMENT AND PERSONNEL COMMITTEE

In its only session in the year under report on September 17, 2015, the management and personnel committee primarily dealt with personnel matters of the Executive Board. All members of the committee attended the meeting. Before the company's Annual General Meeting on May 13, 2015 the committee was composed of the members Dr. Joachim Hausser (chairman), Dr. Steffen Stremme and Mr. Hans Rudolf Wöhr. After the withdrawal of Dr. Joachim Hausser, Mrs. Clarissa Käfer was elected as a new member of the committee on May 13, 2015. Dr. Steffen Stremme was elected as the committee's chairman. The new management and personnel committee consists of the members Dr. Steffen Stremme (chairman), Mr. Hans Rudolf Wöhr and Mrs. Clarissa Käfer.

## GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION ON CORPORATE GOVERNANCE

The Supervisory Board dealt at length with the standards of good and responsible governance as laid down in the German Corporate Governance Code. In accordance with the Code's recommendations, the audit committee acting through its chairman obtained a statement from the auditors which confirmed that no business, financial, personal or other relationship existed between the auditor and the company that could call the auditor's independence into question (Statement of Independence). The auditor made this statement to the chairman of the audit committee by letter dated February 16, 2015. This statement also extended to consulting services the auditor performed for the company in the lapsed fiscal year and those that have been agreed for the current fiscal year.

The Declaration on Corporate Governance pursuant to Section 161 Joint Stock Corporation Act (AktG), approved as of November 27, 2015, can be found in the corporate governance report section of the annual report, as well as on the company's website under the navigation point Investor Relations in the Corporate Governance section.

The Supervisory Board and the Executive Board together issued the Declaration on Corporate Governance on March 22, 2016 and published it on the company's website.

## CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements and the consolidated financial statements as per December 31, 2015, as well as the management report and the consolidated management report including accounting have been audited by the elected auditor BTU Treuhand GmbH, who issued an auditor's opinion without restriction. All documents and papers relating to the financial statements and audit reports were submitted to the members of the Supervisory Board in due time before the Supervisory Board's balance sheet meeting on March 22, 2016, and have been carefully reviewed by them. These documents and papers were discussed in detail by the audit committee and the entire Supervisory Board in the presence of the auditor. The auditor could find no shortcomings in the internal risk management and control systems with regard to the financial accounting process. The Supervisory Board could assure itself that the auditor's report complied with the statutory requirements. At this meeting the auditor also gave details on the scope, points of focus and costs of the audit as well as his impartiality, and informed of services rendered above and beyond performance of the audit. The Supervisory Board approved the results of the auditor's audit at said Supervisory Board meeting. After thorough review of the drafts before the meeting, the Supervisory Board verified the annual financial statements, the consolidated financial statements, the management report, the consolidated management report as well as the Executive Board's recommendation on the use of the balance sheet profit. The statements contained in the management report and the consolidated management report were consistent with the Supervisory Board's own assessments. In examining the Executive Board's proposal on the use of the balance sheet profit the Supervisory Board also took financial and investment planning and the liquidity of the company into account. Having considered the interests of the company and the shareholders, no objections were raised to the Executive Board's proposal on the use of balance sheet profit. In accordance with the final results of its own examinations, the Supervisory Board raised no objections against the annual financial statements, the consolidated financial statements, the management report, the consolidated management report and the Executive Board's proposal on the use of the balance sheet profit. The Supervisory Board unanimously approved the annual financial statements of LUDWIG BECK AG prepared by the Executive Board, which were thus adopted. It also approved the consolidated financial statements and endorsed the Executive Board's proposal on the use of the profit.

In addition, the Supervisory Board, in accordance with Section 312 Joint Stock Corporation Act (AktG), reviewed the Executive Board's report regarding relationships with associated companies for the past fiscal year (*Dependency Report*). In this report, the Executive Board issued 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 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 company auditor for the 2015 fiscal year, has examined the Dependency Report and issued the following auditor's opinion on February 19, 2016:

*After diligent audit and assessment we confirm that*

- 1. the facts and circumstances presented in the report are correct,*
- 2. in the reported legal transactions the company's performance was not disproportionate or disadvantages were balanced,*
- 3. there 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. This being premised, the Supervisory Board approves the results of the auditor's examination. On the basis of the conclusions of its own analyses the Supervisory Board raises no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

## PERSONAL THANKS

The Supervisory Board extends its gratitude to the Executive Board, the employees' representatives as well as all employees of LUDWIG BECK AG and its subsidiaries, to which for the first time also employees of the WORMLAND Group belong, for their great personal commitment in 2015 and truly appreciates their dedication and successful work during the 2015 fiscal year.

Munich, March 2016

Dr. Steffen Stremme, Chairman of the Supervisory Board



# CORPORATE GOVERNANCE REPORT

The term Corporate Governance stands for responsible business management and control aimed at sustained, long-term value creation. LUDWIG BECK is guided by the German Corporate Governance Code, first introduced in 2002. The code provides recommendations and suggestions 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, there is particular focus on the importance of shareholder and employee interests. 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: <http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/>.

## Declaration on the Corporate Governance Code pursuant to Section 161 Joint Stock Corporation Act (AktG)

For the time from November 27, 2014 until the expiry of November 27, 2015, the following declaration refers to the recommendations of the German Corporate Governance Code (*Code*) as amended on June 24, 2014, which was made public in the German Federal Gazette on September 30, 2014.

Starting at the beginning of November 28, 2015, the declaration refers to the recommendations of the Code in its May 5, 2015 version, published in the German Federal Gazette on June 12, 2015.

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 in the official section of the German Federal Gazette by the Federal Ministry of Justice, with the following exceptions:

1. The Executive Board of the company has no chairman or spokesman (Code Clause 4.2.1, sent. 1). The Supervisory Board is of the opinion that this best reflects the close cooperation of the two members of the Executive Board, which is based on equality and trust.
2. The employment contracts of the acting members of the Executive Board limit the maximum amounts for the fixed salary and most components of the variable compensation. Only the amounts of some of the variable components as well as the amount of the *overall compensation* are not limited in the contracts. Hence, the contracts do not fully comply with the recommendation of Code Clause 4.2.3 par. 2, sent. 6. The reason for this deviation from the recommendation being that, in order to safeguard existing standards, the Supervisory Board and the Executive Board do not wish to interfere with the current contractual relationships. Apart from that, the compensation of the Executive Board members will not exceed reasonable margins on account of this lack of limits on certain compensation components.
3. 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.

4. The performance-related compensation component for the last time promised to the Supervisory Board for the 2015 fiscal year was not geared to sustainable business development (Code Clause 5.4.6 par. 2, sent. 2) since it was linked to the dividend distributed for the respective fiscal year. The Executive Board and the Supervisory Board have thus far shared the view that the existing compensation regulation provided sufficient incentive for the Supervisory Board members to execute their office with the company's long-term, successful development in mind. However, the company has now arrived at the conclusion that a purely fixed compensation more appropriately takes account of the Supervisory Board's control responsibilities, irrespective of short-term corporate success. On the management's proposal, the 2015 Annual General Meeting therefore resolved to change the Supervisory Board's compensation accordingly. For the fiscal year commencing on January 1, 2016, the members of the Supervisory Board will, for the first time, receive a purely fixed compensation; and full compliance with the recommendation of Code Clause 5.4.6 par. 2, sent. 2 will be realized as of that date.
5. Neither the Supervisory Board nor its audit committee discusses any semi-annual or quarterly financial reports with the Executive Board prior to publication (Code Clause 7.1.2, sent. 2). The Supervisory Board and the Executive Board are in regular close contact on the basis of a monthly reporting system. Therefore, an additional discussion on semi-annual or quarterly reports prior to publication is not necessary.

## SHARE

### THE 2015 STOCK EXCHANGE YEAR

#### Stock traders satisfied

Closing the 2015 stock trading year at 10,743 points, the DAX scored a plus of almost 10% in comparison to the year 2014. In retrospect, the German key stock index took a turbulent roller coaster ride with an all-time high of 12,390 points in April and an all-year low of 9,325 points in September flanking the crash of the Chinese stock exchanges, which – in addition to the slump in crude oil prices – was a dominating topic for investors. The more recent upward swing in the fall came to an abrupt end when the European Central Bank (ECB), in contrast to the capital markets' preferences, discontinued its extremely loose monetary policy. The still ongoing crisis in Ukraine, the VW scandal and the refugee issue were other influences that put pressure on speculators in 2015 but could not change the underlying positive mood.

### THE LUDWIG BECK SHARE

Share Details	
ISIN	DE0005199905
WKN	519990
Ticker Symbol	ECK
Industry	Retail
Accreditation Segment	Prime Standard
Number of shares	3,695,000
Market capitalization at year's end 2015	€ 106.6m
Stock Exchanges	Frankfurt/M., Stuttgart, Munich, Duesseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price (12/31/2015)	€ 28.85
Year-high price (3/2/2015)	€ 36.80
Year-low price (12/16/2015)	€ 28.70
Designated Sponsor	Lang & Schwarz

### Muted development

In the course of the 2015 stock exchange year, the LUDWIG BECK share showed a rather neutral development and closed the year with a minor decline of 1.2% and a closing price of € 28.85 (December 31, 2014: € 29.20). Several sharp movements of the share led to a year high of € 36.80 on March 2, 2015 and a year low of € 28.70 on December 16, 2015.

### Earnings per share

Earnings per share are calculated by dividing LUDWIG BECK's group earnings by the average number of shares in circulation in the year under report. The average number of shares (diluted and undiluted) was 3,695,000 in 2015.

Consolidated comprehensive earnings amounted to € 15.2m in the 2015 fiscal year (previous year € 6.7m). Accordingly, earnings per share amounted to € 4.11 (previous year: € 1.81), and the end of year price-earnings ratio was 7.0 (previous year: 16.3).

### Dividend

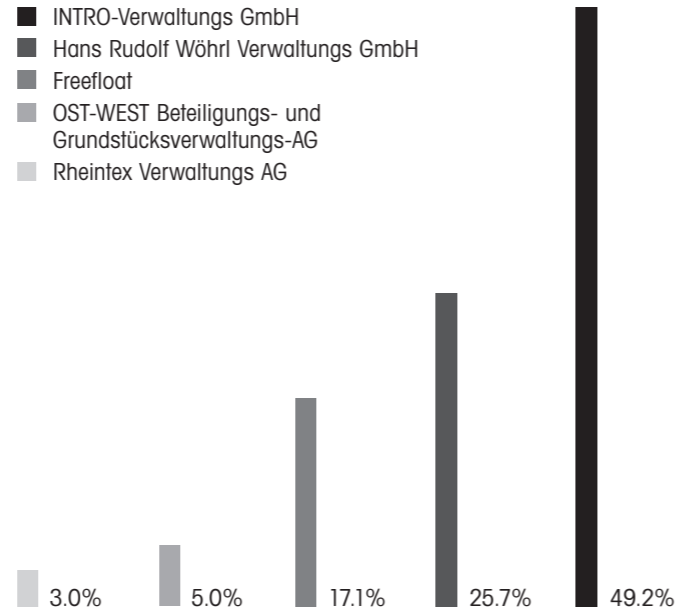
The LUDWIG BECK AG share has traditionally been recognized for its reputation of being a reliable dividend payer. In the interest of its shareholders the company aims at a continuous dividend development also in the future in order to provide shareholders with a fair share in the success of the business. The proposed dividend amount is commensurate with the company's financial projects and, in particular, the safekeeping of a solid financial basis for the realization of strategic goals. LUDWIG BECK AG intends to generate future growth mainly on the basis of its own resources. This will lead to a strong balance sheet position and high added value for the company and its shareholders.

At the General Meeting on May 10, 2016, the Executive Board and the Supervisory Board of LUDWIG BECK AG will propose to distribute a dividend of € 0.75 per share on the basis of the business development in the reporting year 2015. This will result in a total distribution of € 2.8m (previous year: € 2.8m). The dividend yield of the LUDWIG BECK share in relation to the closing price at the last trading day in 2015 thus amounts to 2.6%.

### Shareholder structure

According to the latest reports, the shareholder structure is composed as follows:

INTRO-Verwaltungs GmbH was the largest individual shareholder with a shareholding of 49.2% in 2015. Hans Rudolf Wöhrl Verwaltungs GmbH held 25.7% of the shares. OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG held more than 5.0% and Rheintex Verwaltungs AG more than 3.0% of the company's shares. As voting rights are only reported after reaching certain thresholds, the company's free float can only be estimated and thus probably is below 17.1%.



## INVESTOR RELATIONS

As a Prime Standard listed company, LUDWIG BECK feels committed to the three *fair disclosure* principles of external communication, namely timeliness, continuity and equality of treatment. Thus, LUDWIG BECK's Investor Relations focus on unconditional transparency, continuous exchange of information and an open dialogue with investors, analysts and journalists.

The Annual General Meeting provides a suitable platform for nurturing public relations between the corporation and its shareholders. By casting their vote on May 13, 2015, more than 500 shareholders affirmed their trust in LUDWIG BECK as a stable guarantor for value enhancement of their investments. A vast majority of shareholders approved the payment of a dividend of € 0.75 per share. With nearly 100% affirmative votes, the other agenda items also found strong support.

LUDWIG BECK reports on the Annual General Meeting and many other topics of public relevance in two languages. Capital market communications are linked to the fixed dates of regular reporting. The year started with the 2014 sales report published in early January 2015. The annual report illustrating the overall development in the fiscal year 2015 was presented by the management on the occasion of the balance sheet press conference held in Munich on March 30, 2015 and the analysts' conference in Frankfurt on March 31, 2015. Approximately three weeks after the end of each quarter LUDWIG BECK AG informed the capital market about the elapsed reporting period by release of a quarterly report and comprehensive Corporate News.

The presentations prepared for the aforementioned conferences are available on the Investor Relations pages of LUDWIG BECK AG at <http://kaufhaus.ludwigbeck.de/english/>. The Internet presence also offers comments on corporate strategy, all current publications in the form of reports and Corporate News, analyst recommendations as well as an archive of annual reports dating back to the year 2000. Other company events are related by LUDWIG BECK in regular shareholder newsletters. Furthermore, the Investor Relations team is always available for direct contact.

The financial calendar for 2016 can be found on page 111 of the annual report as well as on the LUDWIG BECK website under Investor Relations/Corporate Events/Financial Calendar.

### CONTACT

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*Pictures: The WORMLAND store in Munich (left), the newly designed men's fashion department of LUDWIG BECK (right)*



# 3 LUDWIG BECK

## *The Fashion Group*

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*Picture: A male domain on an area of 1,500 sqm on the lower ground floor at Marienplatz*

# STYLE ICON LUDWIG BECK

## *The Fashion Company*

### THE POWER OF MAGIC

The world is drawing closer together, getting more complex, faster and diversified. Buying behavior is part of this accelerated development. Consumers are re-evaluating their situation and finding new values. They want to take responsibility when they reach for a product on the shelf – it's a time of change leaving its imprint also on the German fashion trade. The fact that LUDWIG BECK has constantly remained on the road to success in these times of ongoing change has a lot to do with hard work – but also simply with the magic of a company that can look back at more than 150 years of corporate history.

Even though great changes, trends and zeitgeist may captivate consumers – a strong longing for enchantment will always remain. And LUDWIG BECK is an expert in it, second to no other fashion company in Germany. Top sales culture, exclusive assortments of exceptional fashion products and a very unique ambience find their expression in our *Store of the Senses*. There, customers can cherish those special shopping moments that make all the difference in their everyday life.

Shopping as a stylish experience: for instance, creative showcasing of products, spectacular shop window settings, employees with style counselling expertise and star events that become the talk of the town the next day. LUDWIG BECK sells fashion with a touch of magic while relying on its reinvention capabilities and innovative growth strategy, and remaining firmly rooted in the reality of those to whom the future belongs.

# THE STRATEGY

## *Creating lasting value*

Timeless, yet trendy, exclusive, yet easily accessible, top quality, yet with ever-growing value – this arc of suspense between standards characterizes the fashion of LUDWIG BECK. These standards contribute hugely to the brand's attractiveness and stack out the dimensions for the group strategy to unfold.

Premium quality features in times of change are owed to the strategy of permanent upgrading. This trading up concept of LUDWIG BECK comprises a variety of pliant measures constantly applied to all kinds of aspects, including for instance complete refurbishment and enlargement of departments, but also many smaller scale pushes for modernization or decisions concerning new collections or products. This incessantly running process of renovation and improvement directly satisfies customer demands and meets the ambitious expectations of investors and partners.

LUDWIG BECK's consequently implemented trading up strategy has long reached beyond the brick-and-mortar business and also extends to the beauty online shop under [www.ludwigbeck.de](http://www.ludwigbeck.de). Growing demand via the Internet is a visible sign that uncompromising modernity and value design also dominate the digital marketing channel. In order to create fashion favorites one has to be future-oriented and build new pillars of success in due time.

The acquisition of WORMLAND in May 2015 fits smoothly into the strategic overall concept of securing new market positions in a growing sector all over Germany, based on tried-and-proven resources from Munich. It is the company's goal to continue developing further and further, like quality fashion does – always with focus on the next season.

*Picture: Sensual showcasing of a high-end product selection*



# STORE

## *Flagship and heart of the brand*

### **A top location**

The *Store of the Senses* is located directly at Munich's Marienplatz, the center of a catchment area of some 2.7 million people. Marienplatz attracts 20,000 passers-by hourly, added to which are some 5 million tourists every year. Complementing the main store is the beauty branch in the nearby FÜNF HÖFE.

### **A sales guarantee**

Around 97% of the Group sales are generated in the *Store of the Senses*. In 29 permanent or seasonal departments spread over 7 floors and a sales area of about 12,400 sqm, the company showcases international fashions, leather goods and accessories, exclusive cosmetics and with over 120,000 titles, Europe's largest on-site collection of classical, jazz and world music and audiobooks. Since the end of 2012, the singular brand portfolio of the beauty branch has also been available through the online shop [www.ludwigbeck.de](http://www.ludwigbeck.de), where a remarkable array of nearly 10,000 products from over 100 luxury and niche brands awaits our customers.

### **A sought-after target group**

A predominantly female target group aged between 29 and 59 seeks an exclusive shopping experience in the *Store of the Senses*. They love to shop, enjoy a modern urban lifestyle and are characterized by a pronounced brand affinity. LUDWIG BECK has both a large percentage of loyal Munich patrons together with up to 30% sales generated from domestic and international tourists.

### **Well advised**

Our ongoing sales success is the product of all our employees. The LUDWIG BECK sales team is able to win over even the most demanding of customers with their outstanding advisory expertise and high service orientation.

### **Stepping out**

The flagship store radiates a distinctive visual presence both inside and out. The storefront was awarded the 2010 City of Munich Facade Award for its detailed restoration. Our window displays are as eye-catching as they are considered ground-breaking. In the store, products are artfully displayed according to the latest visual merchandising concepts. And the creative ways we communicate with our customers through fashion magazines, dialogue marketing as well as print and outdoor advertising emphasize the message of LUDWIG BECK's unmistakable brand.

# WELCOME WORMLAND!

WITH THE TAKEOVER OF HIS COMPANY BY LUDWIG BECK, THE LEGACY OF **THEO WORMLAND** CAME INTO GOOD HANDS. THE MUNICH FASHION GROUP WILL CREATE NEW GROWTH OPPORTUNITIES AND FURTHER EXPAND THE MARKET POSITION OF THIS LEADING MEN'S FASHION SPECIALIST ON A GERMANY-WIDE SCALE.



*Picture: WORMLAND, a trend-setting company – 'Buddytalkers' motif from the Fall/Winter 2015 magazine*

## A legend in men's fashion

The news caused quite a stir in the German fashion retail trade: In May 2015, LUDWIG BECK acquired the men's fashion store chain WORMLAND, a brand embodying male spirit, lifestyle and the magic of men's fashion like no other. WORMLAND is synonymous with authentic, cool and progressive fashion – fashion that on a high level is fresher, younger and more stylish than that of its competitors and bears testimony to a clear stance and unique style.

The inimitable brand image was mainly shaped by the company's founder, Theo Wormland (\*1907 in Gladbeck; †1983 in Munich). With his sense of fashion Theo Wormland, at the age of 28, founded a company in Hanover and gave it his name. Theo Wormland was a perfectionist with a down-to-earth attitude, an entrepreneur for whom the individual always took center-stage. He discovered that young men are not happy to wear the same clothes as their fathers and therefore added new creations



to his product range under the specially coined slogan *Fashion for Twens*. With his individuality, character and sense of style he became a pioneer in men's fashion and fascinated generations of men. Theo Wormland also realized another passion of his and began collecting pieces of art, with surrealistic art being his favorite art form. In 1982, he founded the Theo Wormland-Stiftung (Foundation) and concluded a contract with

the Free State of Bavaria concerning the handing-over of his collection as a permanent loan, which should later be converted into a donation. This was to protect his collection in the long run. His art collection, one of the most significant private surrealism collections, passed into the ownership of Bayerische Staatsgemäldesammlungen in 2013, 30 years after his death, and now forms an essential part of the collection of PINAKOTHEK DER MODERNE in Munich.

**WORMLAND IS A MEANINGFUL ADDITION TO THE LUDWIG BECK GROUP.**

## *WORMLAND in a nutshell*

**Concept:** Men's fashion specialist and multi-brand retailer

**Branches:** 15 branches in 11 large German cities

**Founded:** 1935 in Hanover

**Area:** 14,800 sqm in aggregate

**Sales:** approx. € 80m (1/1/2015 – 12/31/2015)

**Range of products:** Formal, casual, jeans wear in the premium sector

**Brands:** Anything from newcomer label to high-end fashion brand – like Karl Lagerfeld, Marc Jacobs, Boss, Hugo, Drykorn, Cinque or Diesel, in addition to the private brands WORMLAND, THEO WORMLAND and AUTARK.

**Employees:** 467 (2015)



*Pictures: The new man has many facets – 'The Romantic' (top), 'The Actor' (bottom), motifs from the WORMLAND magazine*

# A STRATEGIC *Imperative*

## A sensible strategic decision

LUDWIG BECK and WORMLAND – how did this union come about? According to LUDWIG BECK's Executive Board members Dieter Münch and Christian Greiner, the take-over of WORMLAND provides the *Store of the Senses* with an additional sense, a perfect complement for leading the group into a successful future. This huge step will allow LUDWIG BECK to secure a leading market position as a men's fashion provider throughout Germany. After having established a strong position in the women's fashion premium segment, the LUDWIG BECK management, in recent years, started envisaging the idea of becoming a top address in the men's fashion segment as well. Therefore, in order to tap new growth potentials, the acquisition of WORMLAND was a strategic imperative. From the perspective of WORMLAND, integration under the well-financed umbrella of the LUDWIG BECK fashion group gave the company access to a stable platform that would allow for synergetic effects in the enhancement of achieved successes, and the reaching into new locations for required expansion.

## The same gene makeup

Both companies have cultivated a similar corporate culture and a similar philosophy in attracting groups of demanding buyers. Sensual experience value, unique culture of customer advising and magical staging of brand-named products can be found at LUDWIG BECK as well as at the WORMLAND branches – with LUDWIG BECK mainly focusing on fashion-conscious, better funded women and WORMLAND, complementarily, on high-income male customers, giving them a forum to express their lifestyles. Like LUDWIG BECK, WORMLAND fills modern spheres of life with values and statements.

*Pictures: (1) Exterior view of the WORMLAND store Berlin,  
(2) WORMLAND Oberhausen, (3) WORMLAND Munich,  
(4) WORMLAND Berlin*



# TWO *Trading Concepts*

## WORMLAND men's fashion and THEO

Under the WORMLAND umbrella two style groups with two differing concepts will be addressed also in the future: With 15 branches in 11 cities the men's fashion specialist combines modern lifestyle, extraordinary architecture, art and music with a diversified brand portfolio covering the whole range from newcomer labels to high-end fashion brands. Customer orientation of the highest degree and expert fashion advice are the focal points. The multi-brand retailer integrates two store concepts: WORMLAND men's fashion and THEO.

WORMLAND men's fashion, with branches located at city centers and sales areas of up to 2,500 sqm, targets the style group of modern, fashion-savvy men. The brand offers a comprehensive range of men's fashion products – from classical suit to trendy jeans – covering the full spectrum of formal and casual wear. WORMLAND, acting as self-confidently as the style groups, cultivates exclusiveness and relies on artistically expressive promotion campaigns.

THEO, on sales areas of 300 to 500 sqm, presents a mix of jeans and sportswear by trend brands. The focus lies on younger, brand-conscious style groups, the precursors of later WORMLAND customers, so to speak. THEO prefers a casual, urban style, which is staged in an ambience of industrial design and club sound.

## What's further down the line

After the successful and fast integration of WORMLAND, LUDWIG BECK will apply the very same tools to the newly acquired company that have been guarantors for sustained stability and growth in Munich so far: WORMLAND will also implement a consequent trading up strategy in the future, seek permanent cost optimization and further expand and innovate its services on a high level. This triad of strategic measures will lead WORMLAND back to the growth path to which the retailer owed its reputation in the markets for many years.



*Picture: Young, fresh, trendy: The THEO branch in Dortmund*

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## I. GROUP FUNDAMENTALS

### 1. BUSINESS MODEL

#### Business activity

So far, the Group has operated a textile retail business under the brand LUDWIG BECK in the medium and premium price segments. Its brick-and-mortar business centers on the flagship store at Munich's Marienplatz. The offered product range mostly consists of textile goods as well as non-textile goods such as cosmetics, sound recordings and paper products.

The relating operating business is conducted in the department store at Marienplatz in Munich and in the annex HAUTNAH in FÜNF HÖFE in Munich. Via its platform ludwigbeck.de the Group offers a wide range of exclusive cosmetics.

Since May 2015, 15 additional branches of the WORMLAND brand were integrated. WORMLAND stands for stylish fashion for fashion-savvy men. The business activities of the Group are now supported by two pillars.

### 2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Europe's leading fashion houses. With the integration of the WORMLAND brand new strategic options with promising prospects have emerged for the company. WORMLAND intends to stabilize its position as a men's fashion pioneer in Germany in the long run. To realize this goal the companies offer exclusive product selections, creatively staged in top locations and presented with a high-end sales culture. Product line, presentation and sales space design are constantly optimized through a strategy of consequent upgrading, the so-called trading up strategy.

Furthermore, the Group endeavors to create the best conditions for remaining a sought-after employer for its staff also in the future, ranking as a career home. Shareholders shall permanently participate in LUDWIG BECK's business success and rest assured that their investment is secure. Reliability and stable, healthy growth are values brought to life by LUDWIG BECK.

### 3. INTERNAL CONTROL SYSTEM

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

These parameters serve as the basis for the constant monitoring of the company's financial scope of action by way of target-actual comparison, and allow the company 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 tied capital.

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 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 ECONOMIC FRAMEWORK CONDITIONS

#### Global economy up against numerous impediments to growth

The engine of the world economy was not yet running smoothly in 2015. Even though, after a disappointing previous year, the global economy was able to grow by 2.4% according to the World Bank, it still was met with a host of obstacles, with the ongoing debt crisis in Greece, the downslide of the oil price, the generous monetary policy of the central banks and, last not least, the ailing Chinese economy turning that country from growth engine to constant concern, being some of the major challenges. The most striking indicator of this development was the stock market crash on mainland China in the summer months. China's economy only grew by 6.9% in 2015 and was left behind by India with 7.4% growth.

#### German economy with quarterly high

The strong growth of the German economy in 2015 was unparalleled in the period since 2011. According to the Federal Office for Statistics, the gross domestic product (GDP) increased 1.7%, thus meeting the expectations of economic researchers. After a 1.6% growth spurt of the German GDP in the previous year, the ten-year average was exceeded the second year in a row.

These figures primarily related to private consumer spending which showed a 1.9% increase in 2015 – as it did in the year 2000 for the last time. On the other hand, public spending went up by 2.8%, caused to a large degree by the necessity to provide food and shelter and to help integrate the incoming stream of refugees. Therefore, not only private consumer spending but also immigration proved to be powerful drivers for economic growth.

The revival of the propensity to invest in machines and equipment was satisfying. A rise by 3.6% was recorded. Despite international crises, German exports grew 5.4%.

Once again the German government generated a surplus amounting to 0.5% of the GDP (previous year: 0.3%).

#### Textile sector concluded on a par

After three consecutive years in the red, brick-and-mortar fashion businesses were able to halt the downward slide and conclude 2015 at least on a par. According to TextilWirtschaft (TW), the branch was 2% behind the previous year around the middle of the year, and then suffered a 16% slump in August. The second half of the year with fall being far too mild and Christmas sales sluggish throughout the country was anything but a catch-up race. One of the rare highlights was the 53rd week when, after the holidays, customers rediscovered their shopping mood for fashion on a large scale. The GfK Textile panel pointed out that the poor performance of the branch in summer was attributable to the specialist stores, and in particular to multi-label and large young fashion retailers which had to deal with the anti-consumerism of female teens.

### 2. LUDWIG BECK BUSINESS DEVELOPMENT

#### On steady course with new prospects

One of the most substantial milestones of LUDWIG BECK's recent corporate history was the acquisition and integration of the men's fashion retailer WORMLAND in May 2015. The incorporation of this tradition-rich brand was expeditiously completed. On May 12, 2015, LUDWIG BECK had acquired all shares in WORMLAND Unternehmensverwaltung GmbH. WORMLAND subsidiary THEO WORMLAND GmbH & Co. KG operates 15 men's fashion branches in 11 large German cities. This was an important step for LUDWIG BECK to expand its stationary business to the whole of Germany and to address and serve fashion-conscious men, an increasingly courted target group, with the top fashion offer of WORMLAND on the basis of a much more extensive approach.

As in previous year, 2015 was characterized by anticyclical weather conditions affecting LUDWIG BECK as well as the entire German fashion sector. Far too mild temperatures in fall as well as in the Christmas shopping month of December are just examples. Even though LUDWIG BECK could not totally evade such influences, the company was able to achieve moderate growth above the branch average.

The noticeable absence of many well-funded tourists from East Europe who avoided the previously popular trip to Munich because of the crisis in Ukraine was still felt to be a problem. However, all those inhibiting factors did not seriously jeopardize the company's stability course which customers and shareholders have always trusted in and relied on. Quite the contrary: also in the year 2015, LUDWIG BECK has exemplarily shown how well-gauged business development can be achieved through sound management and a convincing strategy.

In this context, the online shop at ludwigbeck.de provided a successful platform; it continued generating satisfactory, continuously growing online sales. It still holds large untapped potential to complement the brick-and-mortar business of LUDWIG BECK.

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

## 3. CONSOLIDATED EARNINGS SITUATION

	1/1 – 12/31/2015		1/1 – 12/31/2014		Delta	
	€m	%	€m	%	€m	%
Gross sales	158.6	119.0	102.7	119.0	55.9	54.5
VAT	25.3	19.0	16.4	19.0	8.9	54.5
<b>Net sales</b>	<b>133.3</b>	<b>100.0</b>	<b>86.3</b>	<b>100.0</b>	<b>47.0</b>	<b>54.5</b>
Other own work capitalized	0.0	0.0	0.2	0.2	-0.2	-87.9
Other operating income	13.3	10.0	3.8	4.4	9.6	252.9
	<b>146.7</b>	<b>110.0</b>	<b>90.3</b>	<b>104.6</b>	<b>56.4</b>	<b>62.4</b>
Cost of materials	68.8	51.6	43.6	50.5	25.2	57.8
Personnel expenses	26.4	19.8	17.7	20.5	8.8	49.6
Depreciation	4.0	3.0	2.8	3.2	1.2	43.8
Cost of office and store space	15.8	11.8	6.2	7.2	9.6	154.0
Administrative expenses	3.7	2.7	2.0	2.3	1.7	83.7
Sales expenses	7.2	5.4	5.0	5.8	2.2	43.6
Other personnel costs	1.4	1.0	1.2	1.4	0.1	10.1
Insurance and contributions	0.4	0.3	0.2	0.2	0.1	68.7
Other expenses	0.7	0.5	0.9	1.0	-0.2	-21.1
<b>Sum total of other operating expenses</b>	<b>29.1</b>	<b>21.8</b>	<b>15.6</b>	<b>18.1</b>	<b>13.5</b>	<b>86.6</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>18.3</b>	<b>13.7</b>	<b>10.6</b>	<b>12.3</b>	<b>7.7</b>	<b>72.3</b>
Financial result	-1.1	-0.8	-1.1	-1.3	0.0	-4.2
<b>Earnings before taxes on income (EBT)</b>	<b>17.3</b>	<b>12.9</b>	<b>9.5</b>	<b>11.0</b>	<b>7.7</b>	<b>81.1</b>
Taxes on income	2.1	1.6	2.8	3.3	-0.7	-26.4
<b>Consolidated net income</b>	<b>15.2</b>	<b>11.4</b>	<b>6.7</b>	<b>7.8</b>	<b>8.5</b>	<b>126.7</b>
Expenses (-) and income (+) directly entered into equity	0.1	0.1	0.0	0.0	0.1	0.0
<b>Consolidated comprehensive income</b>	<b>15.3</b>	<b>11.4</b>	<b>6.7</b>	<b>7.7</b>	<b>8.6</b>	<b>129.2</b>
Gross profit	64.5	48.4	42.7	49.5	21.8	51.0
EBITDA	22.3	16.7	13.4	15.6	8.9	66.4
Operating margin (EBT/net sales) in %	12.9		11.0			

With the acquisition of WORMLAND Unternehmensverwaltung GmbH by LUDWIG BECK AG on May 12, 2015, the subsidiary THEO WORMLAND GmbH & Co. KG got incorporated into the Group. The inclusion of WORMLAND has a significant impact on the comparability of the

Group's key figures which cannot necessarily be surmised for the period after May 12, 2015. The earnings situation is marked by excessively high growth levels.

## Segment reporting

1/1 – 12/31/2015	LUDWIG BECK		WORMLAND		Consol.	Group	
	€m	%	€m	%		€m	€m
<b>Sales revenue (gross)</b>	<b>104.0</b>	<b>119.0</b>	<b>54.7</b>	<b>119.0</b>	<b>0.0</b>	<b>158.6</b>	<b>119.0</b>
<i>Previous year</i>	<i>102.7</i>	<i>119.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>102.7</i>	<i>119.0</i>
VAT	-16.6	19.0	-8.8	19.0	0.0	-25.3	19.0
<i>Previous year</i>	<i>-16.4</i>	<i>19.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-16.4</i>	<i>19.0</i>
<b>Sales revenue (net)</b>	<b>87.4</b>	<b>100.0</b>	<b>45.9</b>	<b>100.0</b>	<b>0.0</b>	<b>133.3</b>	<b>100.0</b>
<i>Previous year</i>	<i>86.3</i>	<i>100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>86.3</i>	<i>100.0</i>
Cost of sales	-45.0	51.5	-23.8	51.9	0.0	-68.8	51.6
<i>Previous year</i>	<i>-43.6</i>	<i>50.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-43.6</i>	<i>50.5</i>
<b>Gross profit</b>	<b>42.4</b>	<b>48.5</b>	<b>22.1</b>	<b>48.1</b>	<b>0.0</b>	<b>64.5</b>	<b>48.4</b>
<i>Previous year</i>	<i>42.7</i>	<i>49.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>42.7</i>	<i>49.5</i>
Other operating income	3.0	3.4	10.4	22.6	0.0	13.4	10.0
<i>Previous year</i>	<i>4.0</i>	<i>4.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>4.0</i>	<i>4.6</i>
Personnel expenses	-18.2	20.8	-8.3	18.0	0.0	-26.4	19.8
<i>Previous year</i>	<i>-17.7</i>	<i>20.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-17.7</i>	<i>20.5</i>
Depreciation	-3.0	3.5	-1.0	2.1	0.0	-4.0	3.0
<i>Previous year</i>	<i>-2.8</i>	<i>3.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-2.8</i>	<i>3.2</i>
Other expenses	-16.1	18.4	-13.0	28.4	0.0	-29.1	21.8
<i>Previous year</i>	<i>-15.6</i>	<i>18.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-15.6</i>	<i>18.1</i>
<b>EBIT</b>	<b>8.2</b>	<b>9.3</b>	<b>10.2</b>	<b>22.1</b>	<b>0.0</b>	<b>18.3</b>	<b>13.7</b>
<i>Previous year</i>	<i>10.6</i>	<i>12.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>10.6</i>	<i>12.3</i>
Financial result	-1.0	1.1	-0.1	0.1	0.0	-1.1	0.8
<i>Previous year</i>	<i>-1.1</i>	<i>1.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-1.1</i>	<i>1.3</i>
<b>EBT</b>	<b>7.2</b>	<b>8.2</b>	<b>10.1</b>	<b>22.0</b>	<b>0.0</b>	<b>17.3</b>	<b>12.9</b>
<i>Previous year</i>	<i>9.5</i>	<i>11.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>9.5</i>	<i>11.0</i>
Taxes on income	-2.1	2.4	0.0	0.0	0.0	-2.1	1.6
<i>Previous year</i>	<i>-2.8</i>	<i>3.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-2.8</i>	<i>3.3</i>
<b>Net profit</b>	<b>5.1</b>	<b>5.8</b>	<b>10.1</b>	<b>22.0</b>	<b>0.0</b>	<b>15.2</b>	<b>11.4</b>
<i>Previous year</i>	<i>6.7</i>	<i>7.8</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.7</i>	<i>7.8</i>

Segment reporting will in the future be divided into the segments *LUDWIG BECK* and *WORMLAND*. The subdivision into *textile* and *non-textile* will no longer apply, as *WORMLAND* is mainly active in the textile sector, and the *non-textile* segment became proportionately insignificant.

### Sales development

In the 2015 fiscal year, the LUDWIG BECK Group generated sales of € 158.6m (previous year: € 102.7m). This significant increase is mainly due to the acquisition of WORMLAND which contributed a new segment with sales of € 54.7m. The online trade under www.ludwigbeck.de also recorded increased sales, thus making a valuable contribution to Group earnings. Like-for-like gross sales amounted to € 104.0m, a 1.2% increase. This put the Munich fashion group in a position to slightly outperform the German textile retail trade which concluded the fiscal year on a par (source: TextilWirtschaft). Thus, LUDWIG BECK's sales fell within the range of the forecast which had been adjusted in July 2015 following the acquisition of the WORMLAND Group.

### Earnings situation

The gross profit reached € 64.5m (previous year: € 42.7m), thus clearly exceeding last year's level. The WORMLAND segment contributed € 22.1m. The gross profit margin came to 48.4% in aggregate (previous year: 49.5%). LUDWIG BECK and WORMLAND could not completely evade the growing influences of climatic and political imponderabilities and related price reductions. Furthermore, the sale of old stock in connection with the takeover of WORMLAND had a significant effect on the gross profit margin. The cost of sales ratio was 51.6% (previous year: 50.5%).

Other operating income, composed of rental income, income generated by the administrative, sales and personnel departments, cafeteria profits and own work capitalized accounted for € 13.4m at the end of the fiscal year 2015 (previous year: € 4.0m). Other income

also included income from the acquisition of WORMLAND which was carried at € 9.8m.

Earnings before interest, taxes and depreciation (EBITDA) came to € 22.3m (previous year: € 13.4m). EBITDA in the LUDWIG BECK segment amounted to € 11.2m (previous year: € 13.4m). One major item concerned costs of the acquisition of WORMLAND. Income from the acquisition of WORMLAND in the amount of € 9.8m was allocated to EBITDA in the WORMLAND segment which totaled € 11.1m.

Earnings before interest and taxes (EBIT) reached € 18.3m in aggregate (previous year: € 10.6m). Thus, EBIT fell within the range of the value forecasted to reach between € 17m and € 19m which was newly adjusted by the LUDWIG BECK management in July 2015.

The financial result was on last year's level with € -1.1m.

Earnings before taxes (EBT) amounted to € 17.3m (previous year: € 9.5m). The EBT margin was 12.9% as compared to 11.0% in the previous year.

As revenue generated through the first-time consolidation of the WORMLAND Group qualifies as consolidated revenue, no taxes are levied on this non-recurring effect. Taxes on income totaled € 2.1m (previous year: € 2.8m) in the fiscal year 2015.

Net profits amounted to € 15.2m, and adjusted for non-recurring effect to € 6.4m (previous year: € 6.7m).

## 4. ASSET SITUATION

Assets	2015		2014	
	€m	%	€m	%
<b>Long-term assets</b>				
Intangible assets	4.7	3.6	2.8	2.5
Property, plant and equipment	100.4	76.1	92.8	83.5
Other assets	0.1	0.1	0.1	0.1
	<b>105.2</b>	<b>79.8</b>	<b>95.7</b>	<b>86.1</b>
<b>Short-term assets</b>				
Inventories	20.4	15.5	11.5	10.3
Receivables and other assets	4.2	3.2	3.1	2.8
Cash and cash equivalents	2.0	1.5	0.8	0.7
	26.7	20.2	15.4	13.9
<b>Balance sheet total</b>	<b>131.9</b>	<b>100.0</b>	<b>111.1</b>	<b>100.0</b>

The measured fair values of net assets at the date of acquisition as well as income from the acquisition of WORMLAND are shown in the following chart:

	5/12/2015
	€m
Intangible assets	2.0
Property, plant and equipment	9.3
Inventories	10.2
Receivables and other assets	2.1
Cash and cash equivalents	0.3
Long-term accruals	-1.3
Liabilities	-12.9
<b>Identifiable net assets at date of acquisition</b>	<b>9.8</b>
<b>Income from acquisition of WORMLAND</b>	<b>9.8</b>

The balance sheet total of the LUDWIG BECK Group stood at € 131.9m as at the balance sheet date and thus, on account of the acquisition of WORMLAND, clearly exceeded the previous year's value of € 111.1m (as at December 31, 2014).

With € 100.4m, property, plant and equipment once again constituted the largest item of long-term assets (December 31, 2014: € 92.8m). The property at Marienplatz in Munich is carried at more than € 70m.

Intangible assets increased by € 1.9m to € to € 4.7m (December 31, 2014: € 2.8m). The increase was basically due to the brand name taken over together with WORMLAND which is carried at € 1.7m as per the balance sheet date.

In the category of short-term assets, inventories went up significantly and came to € 20.4m in aggregate as at the relevant date December 31, 2015 (December 31, 2014: € 11.5m). € 9.2m of the increase were attributable to WORMLAND, while LUDWIG BECK approximately kept last year's level of € 11.2m.

Receivables and other assets amounted to € 4.2m as at December 31, 2015 (December 31, 2014: € 3.1m).

Cash and cash equivalents came to € 2.0m as at the relevant date December 31, 2015 (December 31, 2014: € 0.8m).

## 5. FINANCIAL SITUATION

Liabilities	2015		2014	
	€m	%	€m	%
<b>Shareholders' equity</b>	<b>79.4</b>	<b>60.2</b>	<b>67.2</b>	<b>60.5</b>
<b>Long-term liabilities</b>				
Financial liabilities	32.0	24.3	20.5	18.4
Accruals	3.9	2.9	2.7	2.5
Deferred taxes	0.9	0.7	0.9	0.9
	<b>36.9</b>	<b>27.9</b>	<b>24.2</b>	<b>21.8</b>
<b>Short-term liabilities</b>				
Financial liabilities	5.5	4.1	13.9	12.5
Trade liabilities	2.6	1.9	1.3	1.2
Accrued taxes	0.1	0.1	0.1	0.1
Other liabilities	7.5	5.7	4.4	4.0
	<b>15.7</b>	<b>11.9</b>	<b>19.7</b>	<b>17.7</b>
<b>Balance sheet total</b>	<b>131.9</b>	<b>100.0</b>	<b>111.1</b>	<b>100.0</b>

As at the relevant date December 31, 2015, shareholders' equity of the LUDWIG BECK GROUP amounted to € 79.4m (December 31, 2014: € 67.2m). This corresponds to an equity ratio of 60.2% (December 31, 2014: 60.5%). The Group's positive consolidated income had led to an increase in equity of € 15.3m. Equity was reduced by the dividend payment of € 2.8m resolved by the Annual General Meeting on May 13, 2015 (€ 0.75 per share).

The Group's aggregate liabilities amounted to € 52.6m as at the relevant date December 31, 2015 (December 31, 2014: € 43.9m). The increase of € 8.7m is basically due to the acquisition of WORMLAND.

Aggregate financial liabilities went up from € 34.4m as at December 31, 2014 to € 37.5m as at December 31, 2015. The increase was related to investments in fixed assets and inventories. On the occasion of acquiring the shares in WORMLAND, LUDWIG BECK improved its financing structure in the long-term by taking out mortgage loans in the total amount of € 15.0m on favorable terms. The loans have a term of ten years and are subject to 1.15% interest. In the year under report, mortgage loans in the amount of € 3.0m subject to higher interest rates were repaid by way of unscheduled redemption.

The Group's accruals increased to € 3.9m as compared to € 2.7m as at December 31, 2014 as a result of deconstruction obligations of WORMLAND, carried in the Group for the first time.

Aggregate trade liabilities went up from € 1.3m to € 2.6m. Other liabilities came to € 7.5m (December 31, 2014: € 4.4m).

All in all, WORMLAND's share in total liabilities was € 6.8m.

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 generally paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

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

#### Cash flow

The cash flow from operating activities amounted to € 3.2m (previous year: € 7.5m) in the 2015 fiscal year. The low cash inflow was basically due to the scheduled repayment of liabilities to suppliers in the amount of € 5.7m (previous year: € 0.5m), which had to be recognized in the Group for the first time after the acquisition of WORMLAND.

The cash flow from investment activities amounted to € -2.2m (previous year: € -6.5m) as at December 31, 2015. LUDWIG BECK's investments not only related to the flagship store at Marienplatz, Munich, but also to a new enterprise resource planning system. In the previous year, this item mainly concerned investments in the new men's fashion department on the lower ground floor of the flagship store at Marienplatz, Munich.

In the 2015 fiscal year, dividends in the amount of € 2.8m were distributed for the fiscal year 2014. The cash flow from financing activities reached a total of € -0.1m (previous year: € -0.8m). In addition to the financing of current operations, the financing of the acquisition of WORMLAND figured prominently in the category of cash flow from financing activities.

The consolidated cash flow statement lists more details about individual cash flow items.

## 6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

The Management of LUDWIG BECK considers the economic situation quite satisfactory. The Group rests on a sound foundation, can rely on stable conditions and is equipped with sufficient tools to generate moderate growth also in the future.

## 7. NON-FINANCIAL PERFORMANCE INDICATORS

### Employees

As highly professional intermediaries between customers and product range, the employees of LUDWIG BECK form the key pillar for the company's business success. Their competence and expertise, quality of advice and outstanding motivation are the ingredients for the success of LUDWIG BECK. When selling premium products with high emotional appeal to demanding customers, each employee proves his or her immense value to the company's ongoing growth and stability. LUDWIG BECK does whatever it takes to maintain its high level of staff development through future-oriented personnel policies, various continuation training measures and individual support. The same holds true in regard to the employees of WORMLAND.

LUDWIG BECK is committed to the principles of *Leading Healthy*, which include a whole range of holistic approaches, from offering balanced nutrition in its cafeteria and engaging cooperation partners for fitness training offers to subject-related workshops. The purpose of this kind of modern-day *Corporate Health Management* is to reduce absences, further improve motivation and enhance physical and mental well-being. In this way, LUDWIG BECK proactively strengthens staff loyalty, thus inspiring employees to identify more strongly with the company's goals.

In the 2015 fiscal year, LUDWIG BECK had 816 employees on average. Last year the average number was 478. The number of apprentices was 59 (previous year: 49). The weighted number of employees stood at 546 (previous year: 338).

### Marketing

Marketing activities and public relations work are important building blocks for creating the unreservedly positive image in public perception that the company has enjoyed for many years. Throughout the whole fiscal year, the company initiates campaigns to ensure a consistent high level of attention from regular customers, Munich citizens and tourists.

Also in 2015, all activities centered around one goal: to convey the exclusivity, the distinguished product selection and the magic of LUDWIG BECK to a wide public. Emphasis was also put on the Group's long-standing social commitment which was thus revived in public perception.

### 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, fringe benefits and pension promise. 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. Decisions on remuneration are passed by the general Supervisory Board.

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 amounted to € 1,208k in the 2015 fiscal year (previous year: € 1,199k).

Individual details are shown in the following chart:

#### Value of remunerations granted in the report year 2015:

in €k	Dieter Münch Board member for Personnel, Finances, IT				Christian Greiner Board member for Purchasing, Sales, Marketing			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
	Fixed salary	286	286	286	286	386	386	386
Fringe benefits	14	17	17	17	15	16	16	16
<b>Subtotal</b>	<b>300</b>	<b>303</b>	<b>303</b>	<b>303</b>	<b>401</b>	<b>402</b>	<b>402</b>	<b>402</b>
One-year variable pay	223	223	0	223	223	223	0	223
<b>Subtotal</b>	<b>523</b>	<b>526</b>	<b>303</b>	<b>526</b>	<b>624</b>	<b>625</b>	<b>402</b>	<b>625</b>
Pension annuities	52	57	57	57	0	0	0	0
<b>Total remuneration</b>	<b>575</b>	<b>583</b>	<b>360</b>	<b>583</b>	<b>624</b>	<b>625</b>	<b>402</b>	<b>625</b>

#### Inflow in/for the report year 2015:

in €k	Dieter Münch Board member for Personnel, Finances, IT		Christian Greiner Board member for Purchasing, Sales, Marketing	
	2014	2015	2014	2015
	Fixed salary	286	286	386
Fringe benefits	14	17	15	16
<b>Subtotal</b>	<b>300</b>	<b>303</b>	<b>401</b>	<b>402</b>
One-year variable pay	223	223	223	223
<b>Direct inflow</b>	<b>523</b>	<b>526</b>	<b>624</b>	<b>625</b>
Contributions to pension fund	52	57	0	0
<b>Total remuneration</b>	<b>575</b>	<b>583</b>	<b>624</b>	<b>625</b>

The previous chart also shows retirement benefit payments for the members of the Executive Board and their dependants. Retirement benefit payments commence upon attainment of age 63 or in case of a permanent inability to work. Mr. Münch's retirement pension is determined by the length of his service as a member of the Executive Board of LUDWIG BECK AG. As contractually agreed, accrued pension benefits will be increased by € 5k each year, until attainment of age 63. Pursuant to IAS 19R, the cash value of the promised retirement benefits for active Executive Board members amounted to € 1,972k on December 31, 2015. The cash value of the promised retirement benefits for retired Executive Board members was € 638k.

Current pension payments are indexed.

No member of the Executive Board has been promised additional benefits for the case of withdrawal from his position as a member of the Executive Board. No member of the Executive Board has received benefits or has been promised benefits from third parties with regard to the performance of services as a member of the Executive Board.

#### 2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined by the Annual General Meeting. It is regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board and the dividend amount distributed by LUDWIG BECK. For the last time in 2015, the remuneration of the Supervisory Board consisted of a fixed component and a variable component.

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 regular members of the Supervisory Board is € 15k per fiscal year. The chairman's fixed pay is € 30k; the vice chairman receives € 22.5k. The remuneration for serving in a committee is € 1.5k, per fiscal year, and € 3k for the chairman. Starting in 2012, the members of the Supervisory Board have not received a performance-related bonus if the dividend resolved by the Annual General Meeting was up to € 0.25 per share. They received a bonus of € 0.5k for every Euro cent the dividend exceeded € 0.25 per share. The chairman receives double the bonus amount, the vice chairman one-and-a-half times the amount of this performance-related bonus. In the fiscal year 2015, the members of the Supervisory Board forwent a third of their performance-related bonus for operational reasons as they did in the fiscal year 2014.

Individual details are shown in the following chart:

in €k	Fixed		Variable		Total	
	2014	2015	2014	2015	2014	2015
Dr. Joachim Hausser (2015 pro rata)	35	14	33	14	68	28
Dr. Steffen Stremme	20	28	17	26	36	55
Hans Rudolf Wöhr	17	21	17	22	33	42
Philip Hassler	15	15	17	17	32	32
Michael Neumaier	15	15	17	17	32	32
Clarissa Käfer (2015 pro rata)	0	11	0	10	0	21
Edda Kraft	24	20	25	20	49	40
<b>Total remuneration</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>250</b>	<b>250</b>

## 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 constantly 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 the personnel and technical resources to measure and evaluate opportunities and risks on a daily basis. 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, 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 national debt in Western industrialized nations. The developments in Greece and other European countries exemplified quite plainly how easily investor concerns regarding a country's public finances can spread to 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 sociopolitical risks (class B)

As the Group partially targets demand from international customers, it has to consider global, sociopolitical risks. Political crises, currency slumps, civil wars, revolutions and other sociopolitical upheavals in the customers' home countries can cause important target groups to stay away from major locations like Hamburg, Munich, Frankfurt or Berlin.

The unrestrained influx of refugees into Europe, and Germany in particular, increases the risk of societal distortions as exemplified by arson attacks against refugee homes or violent demonstrations and assaults by migrants, which occurred in several major cities in Germany on New Year's Eve 2015. Worries and fears of many German citizens, poor information policy, contradictory 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 growing number of arriving refugees will be integrated into the social life and labor markets in a way creating positive effects. If this cannot be achieved in the long term, increasing exposure to the aforementioned risk potential could be the consequence.

#### Risk of terrorism (class B)

In the wake of shocking Islamist terror attacks in Paris, Turkey and worldwide, this risk has become and will remain factual in the foreseeable future. The terrorism alert in Munich on New Year's Eve has called attention to the fact that Munich, a location with cosmopolitan flair, could also be a conceivable target for attacks. The potential consequences of such an attack on 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 centers 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. The same holds true in regard of potential attacks in cities where WORMLAND operates its branches. On account of the mere existence of this type of risk, an 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 textile retail 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 years were examples of the damage a sequence of unpredictable weather conditions can wreak to the entire fashion sector.

#### Nuclear risks (class B)

Severe accidents can occur in any nuclear power plant as a result of technical defects, human errors, terrorist attacks or natural cataclysms, and large amounts of radioactivity can be released into the environment. According to the official *German Risk Study for Nuclear Power Plants – Phase B* which was commissioned by the Federal Minister for Research and Technology, the probability of a worst case scenario occurring in a German nuclear power plant with a 40-year period of operation lies at 0.1%. More than 150 nuclear power plants are being operated in the European Union. There is a 16% probability of a worst case scenario in Europe. World-wide, approximately 440 nuclear power plants are being run, thus increasing the probability of a worst case scenario to 40% in 40 years on a global level. Potential damages from a nuclear disaster in a highly industrialized country are all but incalculable, as there is no historic data. A worst case scenario in a highly industrialized area would, however, certainly result in long-term damage with significant effects on the economic development of the region.

#### Accessibility risk (class B)

The central locations of the flagship store at Marienplatz as well as of many WORMLAND branches rely 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 center. Thus, there is a risk of reduced sales if normal business in the following days cannot compensate the loss. Obstructions by public renovation works in close proximity, such as the protracted construction measures at Munich's Marienplatz between 2012 and 2015, 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 and WORMLAND are operating in. A broader range of online vendors could create a situation of multiple choices for brick-and-mortar 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 has operated the successful, award-winning online shop ludwigbeck.de, and this line of business will continue to complement and even stimulate the brick-and-mortar business in a meaningful way.

#### Risks through consumer behavior (class C)

Altered consumer behavior 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.

Above all, corporate policy results from targeted market observation, analysis of the competitive situation and trends in consumer behavior as well as particular behavioral patterns of the relevant target groups. As a vendor of an exclusive product portfolio, LUDWIG BECK and WORMLAND play the role of a trendsetter with the ability to influence the shopping behavior of the target group to its benefit.

With a clear positioning and strategy, LUDWIG BECK and WORMLAND use 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 the financial management using a variety of cash management tools.

### 3. ECONOMIC PERFORMANCE RISKS

#### **Supplier risks (class C)**

As fashion retail businesses LUDWIG BECK and WORMLAND depend on reliable external service providers. The resulting risk factors are interruptions in product supply, infringements of quality, security or social standards, ethical dubiousness or environmental exploitation. In order to supply its customers with high-quality products in sufficient amounts according to their desires, LUDWIG BECK and WORMLAND select their suppliers very carefully and scrutinize them on a regular basis. Due to the large number of well-cultivated cooperation partnerships, the company does not depend on any individual supplier.

#### **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 and WORMLAND. 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 and WORMLAND diligently observe the existing supply structures and take 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 optimizes 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 through 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 risks resulting from credit card payments are mainly borne by the credit card providers. Monitoring of EC-card payments is outsourced to an external service provider. Mechanisms implemented for the monitoring of cash sales result in low risks. Risks arising from the physical movement of cash are minimized through implementation of control mechanisms.

#### **Liquidity risk (class C)**

A 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 subsidiaries 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.

#### **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 and WORMLAND are exposed to legal and tax risks through possible breaches of legal provisions. The monitoring of the current legal position along with upcoming legislative amendments is kept within the focus of the company at all times. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the ever-changing legal position on a regular basis. As a rule, all significant contracts are subject to legal checking.

To the best of the companies' knowledge they are not currently facing, nor expecting, legal proceedings or arbitration which might have an impact on the economic situation of LUDWIG BECK and WORMLAND. 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.

#### **Risks related to rental agreements (class C)**

With the take-over of WORMLAND the company expanded its brick-and-mortar business throughout Germany. This gives rise to the risk that current locations are jeopardized whenever rental agreements are not renewed, or that optimal rental properties cannot be found in projected new locations. At the extreme, this would lead to store closings or the postponement of expansion plans.

#### **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 labor laws. In order to practically rule out infringements, LUDWIG BECK and WORMLAND thoroughly educate their staff and ensure vigilant compliance awareness.

### 6. OVERALL RISK EVALUATION

The management teams of the companies of the LUDWIG BECK Group currently consider most of the aforementioned risks controllable or negligible due to their minute probability. No fundamental shift in the risk and opportunity situation is expected for the near future. At present, no risks that can threaten the company's existence are evident.

The Executive Board relies on the solid base of the Group's earning power which is considered as an assuring factor for a positive further business development. It makes sure that arising opportunities can be enjoyed in all their diversity and turned into sustained successes.

LUDWIG BECK and WORMLAND bear 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. These areas include strategic models, decisions about new areas of enterprise or the purchasing and selling of products. Beyond that, the LUDWIG BECK Group generally does not take risks.

## OPPORTUNITIES REPORT

Numerous opportunities for a positive business development arise for the companies of the LUDWIG BECK Group.

Forecasts provided by economic researchers for the German economy in 2016 offer ample room for taking a positive attitude towards new growth potentials.

A particularly vast spectrum of opportunities opened up with the integration of the WORMLAND branches spread throughout Germany. This will help to address the male target group even more comprehensively under the umbrella of LUDWIG BECK – a promising basis for future sales and revenue enhancement.

The online shop at [www.ludwigbeck.de](http://www.ludwigbeck.de) established itself as a strong alternative to the brick-and-mortar business. It offers above-average growth opportunities whereas classical sales channels have their limitations.

The trading up strategy is a unique operative feature of LUDWIG BECK and WORMLAND. By continuously upgrading its range of products, the Group keeps generating and improving earnings opportunities out of its own resources.

The flagship's incomparable position at Marienplatz is so promising that it will play a leading role as earnings guarantor also in the future. Its quality is derived from the fact that it counts among the prime sales locations in Europe.

Taking the opportunity to implement cost optimizations on a continuous basis is a way to better cost efficiency through identification of suitable potentials.

In the lapsed fiscal year, the Group intensively analyzed and utilized arising opportunities. The expected results encourage the Management to assume an optimistic attitude regarding the new fiscal year.

## V. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The LUDWIG BECK Group 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. Therefore, standard 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 may be accessed.

To survey compliance with applicable rules, LUDWIG BECK basically relies on process-integrated monitoring systems. These are divided 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 literature. In case of doubt, external consultants are called in for the implementation of changes and their integration into existing processes.

## VI. SUPPLEMENTARY REPORT

There were no significant events to report after the balance sheet date December 31, 2015 that could affect the company's financial, assets and earnings situation.

Mr. Oliver Beuthien, long-standing Managing Director of THEO WORMLAND GmbH & Co. KG, left the company at his own request and on the most agreeable terms as per January 31, 2016.

## VII. FORECAST REPORT

### Global economy at a sluggish growth pace

The World Bank anticipates a moderate growth rate of only 2.9% for the global economy in 2016. China's growth is slowing down, while Russia and Brazil are impacted by recession. The relative stability of the developed countries will only partially be able to compensate for the precarious situation of the major threshold countries. The Kiel-based Institute for World Economics (IfW) expects threshold countries to gather momentum only gradually. The sharp decline in commodity prices as well as structural impediments are put forward as the main reasons therefor. Nevertheless, the IfW expects the global economy to increase by 3.4% in the year 2016.

### GERMAN UPSWING HOLDING STRONG

In its winter forecast, the IfW predicted a 2.2% growth rate for the German GDP in 2016. For another consecutive year the economic researchers from Kiel consider private consumption to be the growth engine, fed by high income gains, favorable labor market conditions and supporting factors such as low oil prices, rises in pensions and tax cuts which all boost purchasing power. The Association for Consumption Research (GfK) shares this view and points out that even the increased threat of terrorist attacks could not curb the Germans' inclination to buy. The IfW also anticipates a further increase in investment activities. Germany's foreign trade will continue its course of expansion also in 2016.

According to the IfW, unemployment figures can hardly be expected to decline any further. At the same time, additional labor force potentials are expected to arise from increasing migration flows originating from the EU zone and from refugees arriving in Germany. Due to protracted asylum proceedings and employment policy measures it will take some time for refugees to enter the German labor market. As they are not registered as unemployed during the interim period, unemployment figures will not be affected in the short term. The IfW expects the influx of refugees to create an additional labor potential of 470,000 persons by 2017. Economic researchers agree that in the context of social and economic considerations high priority will have to be placed on coping with the refugee flows in the future.



## LUDWIG BECK AND WORMLAND ANTICIPATE CONTINUED HEALTHY GROWTH

Even though the Management of LUDWIG BECK and WORMLAND basically sides with these optimistic forecasts of economic researchers, it is aware that the German retail business will have to face huge challenges also in the year 2016. In addition, increasingly erratic weather patterns and compromised living conditions may create adverse influences on consumers. However, consumer sentiment is still at a high level. Most Germans are satisfied with their economic situation, a sentiment spurred by positive prospects. Profiting from these framework conditions in an optimum way will be the main challenge for LUDWIG BECK and WORMLAND in the year 2016.

The further development of WORMLAND under the umbrella of LUDWIG BECK will be at the forefront. It is the company's professed goal to reinstate this new subgroup to its proper market position and to encourage the unimpeded development of WORMLAND's great potentials, with clear focus on modern, fashion-savvy men, high quality of advice, emotional customer retention and fashionable product selection forming the basis for this approach in 2016.

LUDWIG BECK's top position among German fashion houses is based on the advantage of being located at Marienplatz in Munich as well as top quality of advice, emotional customer retention and exclusive product selection. The principles of consequent trading up will serve as major drivers promoting the development of the economic situation of the LUDWIG BECK Group also in 2016. In parallel, the Executive Board counts on sustained cost optimization and increased process efficiency on all levels.

For many years, LUDWIG BECK has distinguished itself as a reliable enterprise basing its growth on sound foundations. Even in times of challenging operating conditions the company proved its stability and, with a steady hand, developed its own potentials whenever the environment failed to deliver them. The Management of the LUDWIG BECK Group will maintain its stable course and expects the sale of goods on Group level to reach between € 180m and 190m and earnings before interest and taxes (EBIT) to settle between € 8m and 9m.

## VIII. SUPPLEMENTARY DETAILS

### 1. DETAILS ACCORDING TO SECTION 315 PAR. 4 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 which 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 held 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 Wöhrle Verwaltungs GmbH, Reichenschwand, 25.7% (direct)
- Hans Rudolf Wöhrle Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, 25.7% (indirect)
- Hans Rudolf Wöhrle Beteiligungs GmbH, Reichenschwand, 25.7% (indirect)
- Herr Hans Rudolf Wöhrle, Germany, 74.9% (indirect)

#### Authorization of the Executive Board, in particular the possibility to issue and acquire own shares

By resolution passed by the Annual General Meeting on May 8, 2013, the company was authorized to acquire own shares in the aggregate proportional amount of up to 10% of the capital stock existing at the time of the resolution until expiry of May 7, 2018. The company cannot use this authorization to trade own shares; for the rest, the determination of the acquisition purpose is at the Executive Board's discretion. Pursuant to the authorization, the Executive Board has the choice to acquire LUDWIG BECK shares via the stock exchange or through a public offering to all shareholders. The Executive Board has been authorized to also use shares, thus acquired or bought based on a previous authorization pursuant to section 71 par. 1 No. 8 Joint Stock Corporation Act (AktG), under exclusion of shareholders' statutory subscription rights, as set forth under agenda item 7 of the Annual General Meeting, published in the German Federal Gazette on March 27, 2013. Own shares acquired based on the authorizing resolution of May 8, 2013 or on any previous authorization granted pursuant to section 71 par. 1 No. 8 Joint Stock Corporation Act (AktG) may also be withdrawn.

The complete text of the General Meeting's resolution of May 8, 2013 can be found on the corporate website under [http://kaufhaus.ludwigbeck.de/content/documents/hauptversammlungen/2013/130327\\_LB\\_HVDokumente\\_TOP\\_7.pdf](http://kaufhaus.ludwigbeck.de/content/documents/hauptversammlungen/2013/130327_LB_HVDokumente_TOP_7.pdf).

#### 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 larger 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 315 par. 4 Commercial Code (HGB)

Since the provisions of 315 par. 4 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. DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 289A COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance has been made publicly available on the company's website at <http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/>.

Munich, February 12, 2016  
The Executive Board



*Picture: Spacious retreat for premium fashion: WORMLAND Hamburg*



# 5 CONSOLIDATED *financial statements & consolidated notes*

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## CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG,  
MUNICH, AS OF DECEMBER 31, 2015, ACCORDING TO IASB

Assets	Notes	12/31/2015	12/31/2014
		€k	€k
<b>A. Long-term assets</b>			
I. Intangible assets	(1)	4,727	2,821
II. Property, plant and equipment	(1)	100,366	92,763
III. Other assets	(2)	147	145
<b>Total long-term assets</b>		<b>105,240</b>	<b>95,728</b>
<b>B. Short-Term assets</b>			
I. Inventories	(3)	20,448	11,479
II. Receivables and other assets	(4)	4,210	3,118
III. Cash and cash equivalents	(5)	2,036	823
<b>Total short-term assets</b>		<b>26,694</b>	<b>15,420</b>
		<b>131,934</b>	<b>111,149</b>

Liabilities	Notes	12/31/2015	12/31/2014
		€k	€k
<b>A. Shareholders' equity</b>			
I. Subscribed capital	(6)	9,446	9,446
II. Capital reserves	(6)	3,459	3,459
III. Accumulated profit	(6)	66,845	54,786
IV. Other equity components	(6)	-353	-442
<b>Total shareholders' equity</b>		<b>79,397</b>	<b>67,249</b>
<b>B. Long-term liabilities</b>			
I. Financial liabilities	(9)	32,046	20,489
II. Accruals	(8)	3,883	2,745
III. Deferred taxes	(10)	941	946
<b>Total long-term liabilities</b>		<b>36,869</b>	<b>24,181</b>
<b>C. Short-term liabilities</b>			
I. Financial liabilities	(9)	5,459	13,876
II. Trade liabilities	(9)	2,557	1,291
III. Tax liabilities	(9)	122	138
IV. Other liabilities	(9)	7,529	4,414
<b>Total short-term liabilities</b>		<b>15,668</b>	<b>19,719</b>
<b>Total debt (B. – C.)</b>		<b>52,537</b>	<b>43,900</b>
		<b>131,934</b>	<b>111,149</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2015 – DECEMBER 31, 2015, ACCORDING TO IASB

	Notes	1/1/2015 – 12/31/2015		1/1/2014 – 12/31/2014	
		€k	€k	€k	€k
1. Sales revenue	(11)				
- Sales (gross)		158,621		102,685	
- minus VAT		25,319		16,384	
- Sales (net)			133,302		86,301
2. Other own work capitalized	(12)		25		205
3. Other operating income	(13)		13,345		3,782
			<b>146,671</b>		<b>90,287</b>
4. Cost of materials	(14)	68,843		43,620	
5. Personnel expenses	(15)	26,425		17,666	
6. Depreciation	(16)	4,014		2,791	
7. Other operating expenses	(17)	29,070	128,353	15,581	79,658
<b>8. EBIT</b>			<b>18,319</b>		<b>10,629</b>
<b>9. Financial result</b>	(18)		<b>-1,058</b>		<b>-1,104</b>
- Of which financial expenses: € 1.167k (previous year: € 1.164k)					
<b>10. Earnings before taxes on income</b>			<b>17,261</b>		<b>9,525</b>
11. Taxes on income	(19)		2,085		2,833
<b>12. Consolidated net income</b>			<b>15,176</b>		<b>6,692</b>
<b>13. Expenditures and income entered directly into equity</b>	(20)				
<b>13a. Components which cannot be reclassified in the income statement</b>					
Actuarial profits (+) / losses (-) from pension commitments			133		-51
<b>13b. Deferred taxes on expenditures and income entered directly into equity (expenditures (+) / income (-))</b>			44		-17
<b>Expenditures and income entered directly into equity in total</b>			<b>89</b>		<b>-34</b>
<b>14. Consolidated comprehensive income</b>			<b>15,265</b>		<b>6,658</b>
Diluted and undiluted earnings per share in Euro	(21)		4,11		1,81
Average number of outstanding shares in thousands			3,695		3,695

## CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2015 – DECEMBER 31, 2015

	Subscribed capital	Capital reserve	Accumulated profit	Other equity capital components <sup>*)</sup>	Total
	(6)	(6)	(6)	(6)	
	€k	€k	€k	€k	€k
<b>As of 1/1/2015</b>	<b>9,446</b>	<b>3,459</b>	<b>54,786</b>	<b>-442</b>	<b>67,249</b>
Consolidated net income	0	0	15,176	0	15,176
Dividend payments	0	0	-2,771	0	-2,771
Disbursements to other shareholders	0	0	-346	0	-346
Change in income and expenditures entered directly into consolidated shareholders' equity	0	0	0	89	89
<b>As of 12/31/2015</b>	<b>9,446</b>	<b>3,459</b>	<b>66,845</b>	<b>-353</b>	<b>79,397</b>

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2014 – DECEMBER 31, 2014

	Subscribed capital	Capital reserve	Accumulated profit	Other equity capital components <sup>*)</sup>	Total
	(6)	(6)	(6)	(6)	
	€k	€k	€k	€k	€k
<b>As of 1/1/2014</b>	<b>9,446</b>	<b>3,459</b>	<b>51,894</b>	<b>-408</b>	<b>64,391</b>
Consolidated net income	0	0	6,692	0	6,692
Dividend payments	0	0	-1,847	0	-1,847
Disbursements to other shareholders	0	0	-585	0	-585
Obligations towards surviving relatives of Toni Feldmeier on account of accepted legacy	0	0	-1,368	0	-1,368
Change in income and expenditures entered directly into consolidated shareholders' equity	0	0	0	-34	-34
<b>As of 12/31/2014</b>	<b>9,446</b>	<b>3,459</b>	<b>54,786</b>	<b>-442</b>	<b>67,249</b>

<sup>\*)</sup> Other equity capital components mainly result from actuarial profits and losses which in the future cannot be reclassified in the income statement.

## CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMIEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2015 – DECEMBER 31, 2015, ACCORDING TO IASB

	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
	€k	€k
<b>Earnings before taxes on income</b>	<b>17,261</b>	<b>9,525</b>
Adjustments for:		
Depreciation	4,014	2,791
Other non-operative expenses/income (+/-)	-9,835	0
Interest income	-109	-60
Interest expenses	1,167	1,164
Losses from the disposal of capital assets	17	66
<b>Operating result before changes to working capital</b>	<b>12,514</b>	<b>13,487</b>
<b>Increase/decrease (-/+) in assets:</b>		
Inventories	1,269	-1,039
Trade receivables	-268	197
Other assets	678	137
<b>Increase/decrease (+/-) in liabilities:</b>		
Trade liabilities	-5,670	-508
Other liabilities	-1,659	18
<b>Increase/decrease (+/-) in accruals:</b>		
Accruals	486	227
<b>Cash flow from operating activities (before interest and tax payments)</b>	<b>7,350</b>	<b>12,519</b>
Interest paid	-1,111	-1,093
Interest received	45	1
Disbursements to other shareholders	-346	-585
Taxes on income paid	-2,748	-3,381
<b>A. Cash flow from operating activities</b>	<b>3,190</b>	<b>7,461</b>

	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
	€k	€k
<b>A. Cash flow from operating activities</b>	<b>3,190</b>	<b>7,461</b>
Disbursements for investments in intangible assets and fixed assets	-2,114	-6,421
Disbursements for investments in plan assets	-93	-93
<b>B. Cash flow from investing activities</b>	<b>-2,207</b>	<b>-6,514</b>
Dividend payments	-2,771	-1,848
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance companies	11,385	-3,526
Acceptance/repayment (+/-) of short-term bank loans	-8,241	4,949
Acceptance/repayment (+/-) of other loans	-147	-231
Repayment of finance leases	-295	-166
<b>C. Cash flow from financing activities</b>	<b>-69</b>	<b>-822</b>
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	913	125
Consolidation-related changes in cash and cash equivalents	300	0
Cash and cash equivalents at beginning of fiscal year	823	698
<b>Cash and cash equivalents at end of fiscal year</b>	<b>2,036</b>	<b>823</b>

(continued on next page ...)

## CONSOLIDATED NOTES

TO THE IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2015 OF  
LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH

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## 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, 2015 have been prepared in accordance with 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 are mandatorily applicable to the fiscal year 2015 were complied with. In line with sec. 315a 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, 2015 and December 31, 2014. 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, 2015 to December 31, 2015 and from January 1, 2014 to December 31, 2014. 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 major 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 22, 2016. The Executive Board will afterwards 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, 2015:

Name	Shareholding ratio (also voting rights ratio)
<b>Direct shareholdings:</b>	
LUDWIG BECK Beteiligungs GmbH	100.0%
ludwigbeck.de GmbH	100.0%
LUDWIG BECK Unternehmensverwaltungs GmbH	100.0%
<b>Indirect shareholdings:</b>	
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%
WORMLAND Unternehmensverwaltung GmbH	100.0%
WORMLAND Holding GmbH	100.0%
THEO WORMLAND GmbH & Co. KG	100.0%
THEO WORMLAND GmbH	100.0%

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

By contract of May 12, 2015 (relevant acquisition date), LUDWIG BECK acquired 100% of the shares and, thus, also of the voting rights in WORMLAND Unternehmensverwaltung GmbH, Munich, from Theo Wormland-Stiftung Gesellschaft mit beschränkter Haftung, Munich. Consequently, the first-tier and second-tier subsidiaries WORMLAND Holding GmbH, Hanover, THEO WORMLAND GmbH & Co. KG, Hanover, and THEO WORMLAND GmbH, Hanover, were also included in the acquisition. Both parties agreed to keep the acquisition price confidential.

The following table shows the fair values of net assets determined as at the date of acquisition, as well as income generated through the acquisition of WORMLAND:

	<b>5/12/15</b>
	<b>€m</b>
Intangible assets	2.0
Property, plant and equipment	9.3
Inventories	10.2
Receivables and other assets	2.1
Cash and cash equivalents	0.3
Long-term accruals	-1.3
Liabilities	-12.9
<b>Identifiable net assets at acquisition date</b>	<b>9.8</b>
<b>Income from acquisition of WORMLAND</b>	<b>9.8</b>

The reportable income resulting from the take-over of WORMLAND's assets and liabilities is earmarked for balancing any future negative results of WORMLAND.

WORMLAND currently sells men's wear in 15 branches throughout Germany, mainly in the premium price segment, based on two different store concepts: WORMLAND men's fashion and THEO.

With the integration of the WORMLAND brand new strategic options with promising prospects have emerged for the company. WORMLAND intends to permanently stabilize its position as a men's fashion pioneer in Germany.

There are only minor differences between the risk profile of WORMLAND and the operative risks of the LUDWIG BECK Group.

The risk of ludwigbeck.de GmbH as an online retailer also differs only slightly from the operative risks of the LUDWIG BECK Group.

The consolidated group also comprises two real estate companies which hold real estate exclusively used by the Group, thus merely being exposed to risks relating to the market value development of these properties.

## 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.

According to IFRS 3, the amount of € 9.8m had to be reported as income from the acquisition of WORMLAND, shown under other operative income.

The capital of Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition, while for all other first-tier and second-tier subsidiaries capital consolidation was undertaken at the time of 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 are reported in compliance with IAS 32 and IAS 1.

No differences in 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 Group were also netted against each other.

### 4. Elimination of unrealized profits

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

## III. PRINCIPLES OF FOREIGN CURRENCY TRANSLATION

No foreign currency translations were required during 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 sheets 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. First-time application of IFRS/IAS

In the past years the IASB made several amendments to existing IFRS and published new IFRS and the 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, 2015:

- Annual Improvements Project, 2011 – 2013 cycle: Amendments to
  - IAS 40 Investment property – interrelationship of IFRS 3 and IAS 40
  - IFRS 1 First-time application of IFRS – meaning of *coming into effect* in relation to IFRS
  - IFRS 3 Business combinations – scope of the exception for joint ventures
  - IFRS 13 Fair value measurement – portfolio exception applying to all contracts recognized pursuant to IAS 39 respectively IFRS 9
- IFRIC 21 Levies

Application of the aforementioned standards had no major effect on the consolidated financial statements as per December 31, 2015.

The following standards and interpretations may be voluntarily applied ahead of time by entities as of the fiscal year commencing on January 1, 2015:

- IAS 1 (amended in 2014) Presentation of financial statements: disclosure initiative
- IAS 19 (amended in 2013) Defined benefit plans: employee contributions
- IAS 27 (amended in 2014) Separate financial statements: equity method in separate financial statements
- IAS 16 / IAS 38 (amended in 2014) Clarification of accepted methods of depreciation and amortization
- IAS 16 / IAS 41 (amended in 2014) Bearer plants
- IFRS 11 (amended in 2014) Accounting for the acquisition of an interest in a joint operation
- Annual Improvements Project, 2010 – 2012 cycle: Amendments to
  - IAS 16 Property, plant and equipment – revaluation method: proportionate restatement of accumulated depreciation
  - IAS 24 Related party disclosures – clarification on key management personnel services
  - IAS 38 Intangible assets – revaluation method: proportionate restatement of accumulated depreciation
  - IFRS 2 Share-based payment – definition of vesting conditions
  - IFRS 3 Business combinations – recognition of contingent consideration
  - IFRS 8 Operating segment IFRS
    - Aggregation of operating segments
    - Reconciliation of the total of the reportable segments' assets to the entity's assets
  - IFRS 13 Fair value measurement – short-term receivables and payables
- Annual Improvements Project, 2012 – 2014 cycle: Amendments to
  - IAS 19 Employee benefits – determination of the discount rate
  - IAS 34 Interim financial reporting – disclosure of information *elsewhere in the interim financial report*
  - IFRS 5 Non-current assets held for sale and discontinued operations – change in method of disposal
  - IFRS 7 Financial instruments: disclosures – Servicing contracts
  - IFRS 7 Financial instruments: disclosures – application of the amendments to IFRS 7 to condensed interim financial statements

LUDWIG BECK did not apply these standards in the 2015 fiscal year and assumes that the application of the new standards will not have any major effect on the presentation of the assets, financial and earnings situation in the consolidated financial statements.

### 3. Currency translation applied by consolidated companies

There is no hedging for foreign currencies.

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.

Non-scheduled impairment losses were not recognized.

#### 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 7 years in the case of essential software programs. In connection with the acquisition of the shares in WORMLAND the brand name *Wormland* had to be capitalized pursuant to IFRS 3. It will be amortized in scheduled amounts over an expected useful life of 10 years.

#### Brand name *Ludwig Beck*

The brand name *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 2015 was required.

### 5. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost 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 stated amount remained unaltered between 2001 and December 31, 2015. 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 on third-party land	10 – 15 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 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.

#### Leasing

In cases in which leasing agreements qualify as finance leases within the meaning of IAS 17, the leased object is capitalized in the balance sheet while payment obligations regarding future leasing rates are carried as financial liabilities. As a consequence of categorization as finance leasing, depreciation charges in relation to the useful life of the leased object and financing expenses are carried in the consolidated statement of comprehensive income.

#### 6. Inventories

In accordance with IAS 2, raw material, supplies and merchandise are always valued at acquisition cost. 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 salability (marketability). 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. There are no recognizable risks requiring 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 of salaries and pensions are taken into account. Actuarial profits and losses are recognized 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 basically 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 on the basis of 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 applying to Feldmeier GmbH & Co. Betriebs KG, trade tax was not taken into account for these temporary differences.

The consolidation of the interests in the WORMLAND companies led to a surplus in assets-side deferred taxes which were not recognized according to IAS 12.24.

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, less 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.

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 AG is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of other shareholders in Feldmeier GmbH & Co. Betriebs KG are 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 major 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 € 39.0m were available until further notice; approximately 26% (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. Basically, 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. Mail order business and online trade still played a subordinate role in comparison to stationary trade. The risks involved in credit card payments are mainly borne by the credit card providers. Monitoring of claims from sales on EC card basis is outsourced to an external provider. Risks arising from 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.

The Group measures the interest rate risk by analyzing cash flow sensitivity on the basis of an assumed parallel shift in the interest curve by 100 basis points. If an interest rate increase of 100 basis points occurred in the fiscal year, the effect on results due to interest costs for the 2015 fiscal year without consideration of taxes would have amounted to € -103k, while the effect of a drop by 100 basis points would have amounted to € 103k.

#### 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 and tangible fixed assets

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 is presented in the fixed asset schedule on the following page.

#### Intangible assets

Intangible assets only comprise assets acquired on a payment basis.

Intangible assets (industrial property rights and similar rights) can be subdivided as follows:

	12/31/2015	12/31/2014
	€k	€k
Software, industrial property rights and similar rights	722	782
Brand name <i>Wormland</i>	1,703	0
Brand name <i>Ludwig Beck</i>	2,039	2,039
Payments on account	263	0
	<b>4,727</b>	<b>2,821</b>

Development of fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2015

	Acquisition/		production costs		Reclassification	Cumulative depreciation			Book value 12/31/2015 12/31/2014	Book value 12/31/2014 12/31/2013	Depreciation 2015 2014
	As of 1/1/2015 1/1/2014	Addition 5/12/2015	Disposal			As of 12/31/2015 12/31/2014	5/12/2015				
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	
<b>I. Intangible assets</b>											
<b>1. Software, industrial property and similar rights</b>	<b>2,633</b>	<b>155</b>	<b>1,483</b>	<b>273</b>	<b>0</b>	<b>3,999</b>	<b>2,010</b>	<b>1,267</b>	<b>722</b>	<b>782</b>	<b>431</b>
Previous year	2,552	81	0	0	0	2,633	1,852	0	782	997	297
<b>2. Brand names</b>	<b>3,399</b>	<b>0</b>	<b>1,825</b>	<b>0</b>	<b>0</b>	<b>5,224</b>	<b>1,482</b>	<b>0</b>	<b>3,743</b>	<b>2,039</b>	<b>122</b>
Previous year	3,399	0	0	0	0	3,399	1,360	0	2,039	2,039	0
<b>3. Payments on account</b>	<b>0</b>	<b>263</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>263</b>	<b>0</b>	<b>0</b>	<b>263</b>	<b>0</b>	<b>0</b>
Previous year	0	0	0	0	0	0	0	0	0	0	0
Previous year	<b>6,032</b>	<b>418</b>	<b>3,308</b>	<b>273</b>	<b>0</b>	<b>9,486</b>	<b>3,492</b>	<b>1,267</b>	<b>4,727</b>	<b>2,821</b>	<b>553</b>
	5,951	81	0	0	0	6,032	3,211	0	2,821	3,037	297
<b>II. Property, plant and equipment</b>											
<b>1. Land, land rights and buildings including buildings on third-party land</b>	<b>110,229</b>	<b>545</b>	<b>23,725</b>	<b>61</b>	<b>15</b>	<b>134,452</b>	<b>23,985</b>	<b>15,909</b>	<b>94,558</b>	<b>88,217</b>	<b>2,034</b>
Previous year	106,944	4,457	0	1,798	627	110,229	22,012	0	88,217	84,447	1,290
<b>2. Other fixtures and fittings, tools and equipment</b>	<b>14,289</b>	<b>931</b>	<b>9,254</b>	<b>0</b>	<b>17</b>	<b>24,491</b>	<b>11,203</b>	<b>7,702</b>	<b>5,587</b>	<b>4,513</b>	<b>1,427</b>
Previous year	13,003	1,851	0	571	6	14,289	9,776	0	4,513	3,902	1,204
<b>3. Payments on account and assets under construction</b>	<b>32</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>-32</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>220</b>	<b>32</b>	<b>0</b>
Previous year	633	32	0	0	-633	32	0	0	32	633	0
Previous year	<b>124,551</b>	<b>1,696</b>	<b>32,979</b>	<b>61</b>	<b>0</b>	<b>159,164</b>	<b>35,188</b>	<b>23,611</b>	<b>100,366</b>	<b>92,763</b>	<b>3,461</b>
	120,580	6,340	0	2,369	0	124,551	31,788	0	92,763	88,983	2,494
Previous year	<b>130,583</b>	<b>2,114</b>	<b>36,287</b>	<b>334</b>	<b>0</b>	<b>168,649</b>	<b>38,680</b>	<b>24,878</b>	<b>105,093</b>	<b>95,583</b>	<b>4,014</b>
	126,531	6,421	0	2,369	0	130,583	34,999	0	95,583	92,019	2,791

The useful life of software is between 3 and 7 years. Software is depreciated pro rata temporis using the straight-line method. The brand name *Wormland* was capitalized at € 1,825k as part of the purchase price allocation, and will be amortized (pro rata temporis) in scheduled amounts over a useful life span of 10 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 annual 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 3.2%. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated within the company's three-year plan. An increase in sales of 1.5% as well as a gross profit margin of 50% and cost indexation of 1.5% were assumed.

No adjustments for 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.

Payments on account in the amount of € 263k (previous year: € 0k) related to investments in a new enterprise resource planning system.

#### Property, plant and equipment

##### *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 – 15 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, 2015: € 1,842k). For the valuation of land at 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 were considered. The carrying value determined in 2001 was maintained until December 31, 2015 without changes.

The property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 31,265k (previous year: € 19,880k).

**Other real estate**

The LUDWIG BECK Group also owns a logistics and operations center in Haar near Munich as well as two properties in Hanover used for the local WORMLAND branch and headquarters.

**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.

Other fixtures and fitting, tools and equipment contain finance lease-related book values of € 210k.

Payments on account and assets under construction amounted to € 220k (previous year: € 32k) as per December 31, 2015.

For the purposes of the annual impairment test prescribed by IAS 36 the individual branches are considered as CGUs. The utility value was derived from the planned cash flows of the branches (before financing activities and income taxes), which were discounted by a term-adequate interest rate after taxes. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated within the company's planning. An increase in sales of 1.5% as well as a gross profit margin of 50% and cost indexation of 1.5% were assumed.

No adjustments for diminution of value had to be made as a result of the impairment test.

**(2) Other assets (long-term)**

Other long-term assets basically concerning rent advances are shown under this item for materiality reasons. This deferred item (prepaid expenses) in the amount of € 143k will be written back in the 2042 fiscal year. Rent advances will be offset against the last rent payments to the contractual partner upon termination of the rental agreement. Other long-term assets amounted to € 147k in aggregate (previous year: € 145k).

**(3) Inventories**

Inventories consist of the following items:

	12/31/2015	12/31/2014
	€k	€k
Raw material and supplies (at cost)	245	186
Merchandise (at cost)	22,808	12,231
Less impairment of merchandise	-2,605	-938
	<b>20,448</b>	<b>11,479</b>

The usual retention of title applies to the 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, 2015, 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 value allowance of € 297k (previous year: € 222k). All merchandise was carried at cost less value allowances. Appropriate deductions on the lower realizable net value were made for stocks of reduced salability (marketability). In addition, lump-sum reductions for cash discounts were recognized. In the fiscal year, write-down amounted to € 2,605k (previous year: € 938k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

In the reporting period, inventories in the amount of € 69,141k (previous year: € 43,593k) were carried as expense (cost of goods sold before adjustment of value allowance on net realizable value).

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

Receivables and other assets comprise the following:

	12/31/2015	12/31/2014
	€k	€k
Trade receivables	1,959	1,045
Other assets	2,048	1,811
Deferred item	204	261
	<b>4,210</b>	<b>3,118</b>

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.

**Trade receivables (short-term)**

Trade receivables contain the following:

	12/31/2015	12/31/2014
	€k	€k
Total receivables	1,989	1,123
Less allowances	-30	-78
<b>Inventory of receivables</b>	<b>1,959</b>	<b>1,045</b>

There are specific and general allowances.

There were no hedging activities.

**Other assets (short-term)**

Other short-term assets consist of the following:

	12/31/2015	12/31/2014
	€k	€k
Debit-side creditors	365	169
Receivables due from tax authorities	645	829
Receivables from yield guarantees	291	172
Receivables under leases	126	102
Other	621	539
	<b>2,048</b>	<b>1,811</b>

**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:

	12/31/2015	12/31/2014
	€k	€k
Cash-in-hand	1,287	479
Bank balances	749	344
	<b>2,036</b>	<b>823</b>

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

**(6) Shareholders' equity**

As regards the presentation of changes in shareholders' equity in the fiscal year 2015, 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, whereas 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 return on equity. The equity ratio is determined by putting economic equity in relation to 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 is 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, 2015 (December 31, 2014: 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 the fiscal year 2015, 3,695,000 shares were outstanding on average. All ordinary shares are entitled to the profit distribution resolved by the General Meeting. In the fiscal year 2015, dividend payments for 2014 amounted to € 2,771k (€ 0.75 per share).

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, 2015 is as follows:

	%
INTRO-Verwaltungs GmbH, Reichenschwand	49.2
Hans Rudolf Wöhrle 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 par. 1 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, of which 4.87% (180,000 votes) 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 Wöhrle 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 Wöhrle 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 Wöhrle 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 2015, LUDWIG BECK AG did not receive any notifications pursuant to Section 21 par. 1 German Securities Trading Law (WpHG).

**Capital reserve**

The development of capital reserve is shown in the equity statement. 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, whereas 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:

	12/31/2015	12/31/2014
	€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	76,838	76,837
Other shareholders' interest (14.06%)	10,804	10,803
Receivables from other shareholders	-14,996	-14,829
	<b>-4,192</b>	<b>-4,026</b>

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 set forth in the company agreement, the other shareholder is generally not obligated to settle the aforementioned receivables – with the exception of the aforementioned set-off 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 1/1/2015	Utilization	Release	Addition	As of 12/31/2015
	€k	€k	€k	€k	€k
Repair and maintenance obligations	656	0	0	1,514	2,170
<i>Previous year</i>	<i>618</i>	<i>0</i>	<i>0</i>	<i>38</i>	<i>656</i>
Pension commitments	598	0	179	0	419
<i>Previous year</i>	<i>574</i>	<i>0</i>	<i>0</i>	<i>24</i>	<i>598</i>
Obligation from accepted legacy	1,491	195	0	0	1,294
<i>Previous year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,491</i>	<i>1,491</i>
<b>Total accruals</b>	<b>2,745</b>	<b>195</b>	<b>179</b>	<b>1,514</b>	<b>3,883</b>
<i>Previous year</i>	<i>1,192</i>	<i>0</i>	<i>0</i>	<i>1,553</i>	<i>2,745</i>

**Repair and maintenance obligations**

These accruals concern repair and maintenance obligations from rental agreements and were formed on the basis of expert opinions. They concern deconstruction obligations upon termination of rental agreements. The amounts of the obligations were estimated for the anticipated dates of performance. The values set down in the expert opinions were extrapolated on the basis of 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. Additions in the amount of € 1,162k out of € 1,514k were attributable to the acquisition of WORMLAND.

**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 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 for the first time. Furthermore, the company pays premiums to an external insurance company which shall make direct or indirect payments in the event giving rise to benefits. The company assumes that no pension benefits will fall due within the next 12 months. This insurance policy is to be qualified as plan asset.

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

	12/31/2015	12/31/2014
	€k	€k
Cash value of pension commitments as of 1/1	2,585	2,365
Current service costs	55	53
Interest costs	56	71
Actuarial profits (-) / losses (+) to be accounted for directly in equity	-85	97
Cash value of pension commitments as of 12/31	2,611	2,585
<b>Carrying amount of pension commitments before offsetting</b>	<b>2,611</b>	<b>2,585</b>

	12/31/2015	12/31/2014
	€k	€k
Cash value of plan assets as of 1/1	-1,987	-1,790
Contributions to plan assets	-93	-93
Return on plan assets	-65	-58
Actuarial profits (-) / losses (+)	-47	-46
<b>Cash value of plan assets as of 12/31</b>	<b>-2,192</b>	<b>-1,987</b>
<b>Remaining difference as of 12/31</b>	<b>419</b>	<b>598</b>

The cash values of pension commitments amounted to € 2,365k as of December 31, 2013 and to € 2,046k as of December 31, 2012; the cash values of plan assets to € 1,790k respectively € 1,637k.

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

	2015	2014
Discount factor	2.35%	2.15%
Pension trend	1.00%	1.00%

Since pension entitlements are subject to contractually agreed rates of increase, the usual general salary trends are not to be taken into account.

The *2005 G Reference Tables* by Klaus Heubeck served as biometric basis for the relevant calculations.

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

A +0.5% actuarial rate change would result in a cash value decrease of benefit commitments to € 2,409k; a -0.5% cash value change would raise the cash value of benefit commitments to € 2,836k.

A 7.5% pension trend adjustment every 15 years would reduce the cash value of benefit commitments to € 2,427k; a 7.5% adjustment every 5 years would raise the cash value of benefit commitments to € 2,766k.

The company expects service costs in the amount of € 55k and interest costs in the amount of € 61k as well as plan asset yields in the amount of € 71k for the fiscal year 2016. Deposits to plan assets are expected to remain unchanged.

#### 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 in the amount of € 1.073k (previous year: € 1,270k). In return, the LUDWIG BECK Group received the shareholder's interest in Feldmeier GmbH & Co. Betriebs KG. For the acquired share, inheritance tax in the amount of € 222k will arise for LUDWIG BECK.

Of the total amount of € 1294k, the sum of € 418k (including settlement of inheritance tax) is expected to be utilized within twelve months.

#### (9) Liabilities

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

	Sum total	Residual term		
		Up to 1 year	1 – 5 years	Over 5 years
	€k	€k	€k	€k
1. Financial liabilities	37,505	5,459	4,023	28,023
<i>Previous year</i>	34,365	13,876	2,306	18,183
2. Trade liabilities	2,557	2,557	0	0
<i>Previous year</i>	1,291	1,291	0	0
3. Tax liabilities	122	122	0	0
<i>Previous year</i>	138	138	0	0
4. Other liabilities	7,529	7,529	0	0
<i>Previous year</i>	4,414	4,414	0	0
- tax-related: € 2.605k (previous year: € 1.626k)				
- social security-related: € 4k (previous year € 2k)				
<b>12/31/2015</b>	<b>47,713</b>	<b>15,667</b>	<b>4,023</b>	<b>28,023</b>
<i>Previous year</i>	40,208	19,719	2,306	18,183

€ 31,265k of financial liabilities in the aggregate amount of € 37,505k were applied to financing the *Marienplatz* property. The liabilities are secured as follows:

	€k
Land charges SIGNAL Krankenversicherung a.G.	16,340
Land charges UniCredit Bank AG	14,925
Assignment of rents to SIGNAL Krankenversicherung a.G.	8,351

The other liabilities are not secured as of December 31, 2015.



**9 a) Financial liabilities (long-term)**

Long-term financial liabilities are composed as follows:

	12/31/2015	12/31/2014
	€k	€k
Loan SIGNAL Krankenversicherung a.G.	15,772	19,383
Loan UniCredit Bank AG	14,773	0
Leasing	772	0
Other loans	729	1,106
	<b>32,046</b>	<b>20,489</b>

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

Long-term financial liabilities are generally carried at amortized cost. Interest rates ranged between 1.15% and 4.17% in the year under report.

The other loans have terms of up to 6 years and are subject to an interest rate ranging between 2.00% and 3.50%.

The fair value of the long-term liabilities amounted to € 34,694k as per the balance sheet date.

**9 b) Financial liabilities (short-term)**

Short-term financial liabilities consist of the following:

	12/31/2015	12/31/2014
	€k	€k
Liabilities to banks	4,239	13,342
Loan UniCredit Bank AG	152	0
Loan SIGNAL Krankenversicherung a.G.	568	496
Leasing	476	0
Other loans	24	38
	<b>5,459</b>	<b>13,876</b>

As of December 31, 2015, credit facilities granted by banks amounted to € 39,000k 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**

	Sum total	Residual term		
		Up to 1 year	1 – 5 years	Over 5 years
	€k	€k	€k	€k
1. Minimum leasing payments	1,329	521	808	0
Previous year	0	0	0	0
2. Interest and administrative costs	81	45	36	0
Previous year	0	0	0	0
3. Redemption (cash value of leasing liabilities)	1,248	476	772	0
Previous year	0	0	0	0

Leasing agreements concerning shop fittings qualifying as operating leasing contracts pursuant to German law, are to be classified as finance leases in line with IAS 17.

Operating leasing agreements mainly concern the Group's rental agreements reported under other financial commitments. No acquisition options were agreed within the frame-work of operating leasing contracts.

**9 c) Trade liabilities (short-term)**

Trade liabilities in the amount of € 2,557k (previous year: € 1,291k) 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 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

**9 d) Other liabilities (short-term)**

	12/31/2015	12/31/2014
	€k	€k
Wage and sales taxes	2,605	1,626
Purchase vouchers	1,823	1,130
Personnel expenses	1,601	717
Year-end closing and tax declaration costs	220	172
Other accrued liabilities	1,280	769
	<b>7,529</b>	<b>4,414</b>

**9 e) Tax liabilities (short-term)**

Income tax liabilities amounted to € 122k (previous year: € 138k) as of December 31, 2015.

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

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

	12/31/2015		12/31/2014	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
Brand name <i>Beck</i>		673		673
Land		361		361
Buildings		79		125
Accruals	139		197	
Other	33		16	
<b>Subtotal</b>	<b>172</b>	<b>1,113</b>	<b>213</b>	<b>1,159</b>
<b>Addition Wormland</b>				
Brand name <i>Wormland</i>		508		0
Other intangible assets	8		0	
Tenant fixtures	316		0	
Operating and office equipment	49			
Accruals	41			
Liabilities	94			
<b>Subtotal</b>	<b>508</b>	<b>508</b>	<b>0</b>	<b>0</b>
<b>Sum total</b>	<b>680</b>	<b>1,621</b>	<b>213</b>	<b>1,159</b>
Net balance of deferred taxes	-680	-680	-213	-213
<b>Sum total according to consolidated balance sheet</b>	<b>0</b>	<b>941</b>	<b>0</b>	<b>946</b>

With the exception of the categories brand name *Beck* and land, deferred taxes have resulted exclusively from taxable temporary 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 the recognition of the brand name *Ludwig Beck* in the IFRS balance sheet and in 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 include assets-side deferred taxes in the amount of € 138k (previous year: € 218) attributable to income and expenses directly recognized in equity.

At the balance sheet date, assets-side deferred taxes in the amount of approximately € 1,664k were not recorded by the Group.

## II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income was prepared according to the total cost method.

**(11) Sales revenue**

	2015	2014
	€k	€k
Net sales	133,302	86,301

Net sales are explained in more detail in the segment reporting section. With the exception of an amount totaling € 222k (previous year: € 175k), all net sales of the LUDWIG BECK Group were generated in Germany.

**(12) Other own work capitalized**

In the fiscal year 2015, other own work capitalized amounted to € 25k (previous year: € 205k). This item concerns personnel expenses incurred during refurbishing works at the flagship store at Marienplatz in Munich.

**(13) Other operating income**

Other operating income consists of the following:

	2015	2014
	€k	€k
Rental income	908	873
Sales proceeds	1,332	866
Personnel earnings	646	752
Cafeteria earnings	381	401
Insurance compensation	0	740
Income from acquisition of WORMLAND	9,835	0
Other income	243	150
	<b>13,345</b>	<b>3,782</b>

On account of the acquisition of WORMLAND on May 12, 2015 (date of first-time consolidation), other operating income in the amount of € 9,835k resulting from the excess of the fair values of the acquired assets over the assumed liabilities was generated.

Other operating income includes aperiodic income in the amount of € 106k (previous year: € 157k).

**(14) Cost of materials**

	2015	2014
	€k	€k
Cost of merchandise	68,843	43,620

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

**(15) Personnel expenses**

	2015	2014
	€k	€k
Wages and salaries	22,233	14,799
Social security contributions	3,998	2,648
Pension costs	195	219
	<b>26,425</b>	<b>17,666</b>

**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 two 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 contribution-oriented plan within the meaning of IAS 19R.

The costs of these pension commitments amounted to € 141k in 2015 (previous year: € 152k).

A total of 383 employees participate in these pension schemes.

**b) Pension scheme for members of the Executive Board**

The company gave active and former members of the Executive Board a pension promise. This commitment qualifies as performance-oriented plan within the meaning of IAS 19R.

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

**c) Pension scheme for all employees of WORMLAND**

As of January 1, 2002, all employees covered by a collective bargaining agreement have the possibility to apply for inclusion in the company pension scheme after 6 months of service.

Employees who were covered by a collective bargaining agreement will be entitled to pension benefits according to collectively agreed regulations also after conversion to contracts without collective bargaining coverage.

Employer contributions to the pension scheme are expensed to the consolidated profit and loss account.

Some of the executives are covered by direct insurance agreements concluded with an independent third party.

The costs of these pension commitments amounted to € 21k in 2015 (previous year: € 23k).

A total of 73 employees participate in these pension schemes.

**(16) Depreciation**

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

**(17) Other operating expenses**

Other operating expenses comprise the following items:

	2015	2014
	€k	€k
Rental expenses	12,159	4,061
Other occupancy costs	3,604	2,146
Administrative expenses	3,708	1,993
Sales expenses	7,205	5,018
Other personnel expenses	1,385	1,246
Insurance/contributions	358	211
Other taxes	343	121
Other	306	785
	<b>29,070</b>	<b>15,581</b>

No aperiodic expenses were recorded in the fiscal year and the previous year. Rental expenses mainly concern long-term rental agreements for building parts at Marienplatz not owned by the Group, the rental agreement for the HAUTNAH annex in FÜNF HÖFE as well as rental agreements for 15 branches to be integrated into the consolidated financial statements following the acquisition of WORMLAND on May 12, 2015. The rental agreements are long-term, expiring in 2042 at the latest. Rental expenses are subject to rates of increase tied to the Consumer Price Index.

**(18) Financial result**

	2015	2014
	€k	€k
Interest income	109	60
Interest expenditure	1,167	1,164
<b>Financial result</b>	<b>-1,058</b>	<b>-1,104</b>

Interest income basically concerned interest received on plan assets in the amount of € 65k (previous year: € 58k) as well as interest received on a loan to the vendor of the WORMLAND shares in the amount of € 44k (previous year: € 0k). The loan was redeemed in November 2015. The interest portion of interest expenditure relating to pension commitments was € 56k (previous year: € 71k).

**(19) Taxes on income**

	2015	2014
	€k	€k
Taxes on income	2,134	2,971
Other deferred tax income (-) / tax expense (+)	-49	-138
	<b>2,085</b>	<b>2,833</b>
<b>Deferred tax income / tax expense</b>	<b>2015</b>	<b>2014</b>
	€k	€k
From temporary differences in accounting for buildings (previous year: from capitalization of finance lease assets)	-64	-150
From temporary differences in accounting for a tenant loan	0	-3
From temporary differences in accounting for pension accruals	15	21
Other	0	-6
<b>Total deferred tax income (-) / tax expense (+)</b>	<b>-49</b>	<b>-138</b>

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

	2015	2014
	€k	€k
Earnings before taxes on income	17,261	9,525
Nominal Group-specific tax rate in %	32.975	32.975
Arithmetic tax expense	5,692	3,141
Changes in arithmetic tax expense:		
- Tax rate differences from real estate companies of the LUDWIG BECK Group	-571	-521
- Tax-free income from acquisition of WORMLAND	-3,243	0
- Tax rate difference from WORMLAND subgroup	-87	0
- Deviating basis for tax assessment	230	227
- Other	64	-13
<b>Actual tax expense</b>	<b>2,085</b>	<b>2,833</b>

**(20) Income and expenses directly recognized in equity**

Income and expenses directly recognized in equity are subject to the following deferred tax expenses or tax income:

	2015	2014
	€k	€k
Net pension commitment		
- Income (+) / expense (-)	133	-51
- Deferred tax income (-) / tax expense (+)	44	-17
Net income (+) / net expense (-)	89	-34
<b>Sum total of income (+) and expenses (-) directly recognized in equity</b>	<b>89</b>	<b>-34</b>

**(21) 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**

	2015	2014
Consolidated net profit in €k	15,176	6,692
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	4.11	1.81

Undiluted and diluted earnings are identical.

**Dividend proposal**

As regards the appropriation of profit, the Executive Board has proposed to distribute a dividend in the amount of € 0.75 per share to the shareholders. This equals a dividend sum of € 2,771k in aggregate.

**D. EXPLANATIONS TO SEGMENT REPORTING**

The acquisition of the shares in WORMLAND on May 12, 2015 and the related full consolidation will have a considerable impact on the assets, financial and earnings situation of the LUDWIG BECK Group in the future. Therefore, segment reporting will in the future be divided into the segments *LUDWIG BECK* and *WORMLAND*. Last year's subdivision into *textile* and *non-textile* will no longer apply, as WORMLAND is mainly active in the textile sector. Consequently, textile sales increased, and the *non-textile* segment, notwithstanding constant sales levels, became proportionately insignificant in an overall context.

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 on the basis of 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 first reporting stage is based on the segments *LUDWIG BECK* and *WORMLAND*.

The segment-related consolidated 2015 key figures are attributable to the individual segments as follows:

	LUDWIG BECK	WORMLAND	Consol.	Group
	€k	€k	€k	€k
<b>Sales revenue (gross)</b>	<b>103,966</b>	<b>54,654</b>	<b>0</b>	<b>158,621</b>
<i>Previous year</i>	<i>102,685</i>	<i>0</i>	<i>0</i>	<i>102,685</i>
VAT	-16,561	-8,757	0	-25,319
<i>Previous year</i>	<i>-16,384</i>	<i>0</i>	<i>0</i>	<i>-16,384</i>
<b>Sales revenue (net)</b>	<b>87,405</b>	<b>45,897</b>	<b>0</b>	<b>133,302</b>
<i>Previous year</i>	<i>86,301</i>	<i>0</i>	<i>0</i>	<i>86,301</i>
Cost of sales (without discounts, rebates, etc.)	-45,014	-23,829	0	-68,843
<i>Previous year</i>	<i>-43,620</i>	<i>0</i>	<i>0</i>	<i>-43,620</i>
<b>Gross profit</b>	<b>42,391</b>	<b>22,068</b>	<b>0</b>	<b>64,458</b>
<i>Previous year</i>	<i>42,681</i>	<i>0</i>	<i>0</i>	<i>42,681</i>
Operating income	3,010	10,360	0	13,370
<i>Previous year</i>	<i>3,987</i>	<i>0</i>	<i>0</i>	<i>3,987</i>
Personnel expenses	-18,151	-8,274	0	-26,425
<i>Previous year</i>	<i>-17,666</i>	<i>0</i>	<i>0</i>	<i>-17,666</i>
Depreciation, amortization	-3,035	-979	0	-4,014
<i>Previous year</i>	<i>-2,791</i>	<i>0</i>	<i>0</i>	<i>-2,791</i>
Other operating expenses	-16,055	-13,016	0	-29,070
<i>Previous year</i>	<i>-15,581</i>	<i>0</i>	<i>0</i>	<i>-15,581</i>
<b>EBIT</b>	<b>8,159</b>	<b>10,160</b>	<b>0</b>	<b>18,319</b>
<i>Previous year</i>	<i>10,629</i>	<i>0</i>	<i>0</i>	<i>10,629</i>
Financial result	-997	-61	0	-1,058
<i>Previous year</i>	<i>-1,104</i>	<i>0</i>	<i>0</i>	<i>-1,104</i>
<b>EBT</b>	<b>7,162</b>	<b>10,099</b>	<b>0</b>	<b>17,261</b>
<i>Previous year</i>	<i>9,525</i>	<i>0</i>	<i>0</i>	<i>9,525</i>
Taxes on income	-2,085	0	0	-2,085
<i>Previous year</i>	<i>-2,833</i>	<i>0</i>	<i>0</i>	<i>-2,833</i>
<b>Consolidated net profit</b>	<b>5,077</b>	<b>10,099</b>	<b>0</b>	<b>15,176</b>
<i>Previous year</i>	<i>6,692</i>	<i>0</i>	<i>0</i>	<i>6,692</i>

	LUDWIG BECK	WORMLAND	Consol.	Group
	€k	€k	€k	€k
<b>Segment assets</b>				
Intangible assets	2,874	1,853	0	4,727
<i>Previous year</i>	<i>2,821</i>	<i>0</i>	<i>0</i>	<i>2,821</i>
Property, plant and equipment	91,779	8,573	0	100,352
<i>Previous year</i>	<i>92,763</i>	<i>0</i>	<i>0</i>	<i>92,763</i>
Inventories	11,217	9,231	0	20,448
<i>Previous year</i>	<i>11,479</i>	<i>0</i>	<i>0</i>	<i>11,479</i>
Receivables and other assets	2,807	4,602	-3,200	4,210
<i>Previous year</i>	<i>3,118</i>	<i>0</i>	<i>0</i>	<i>3,118</i>
<b>Segment assets total</b>	<b>108,677</b>	<b>24,259</b>	<b>-3,200</b>	<b>129,737</b>
<i>Previous year</i>	<i>110,180</i>	<i>0</i>	<i>0</i>	<i>110,180</i>
<b>Segment liabilities</b>				
Liabilities	48,896	6,841	-3,200	52,537
<i>Previous year</i>	<i>43,900</i>	<i>0</i>	<i>0</i>	<i>43,900</i>
<b>Segment liabilities total</b>	<b>48,896</b>	<b>6,841</b>	<b>-3,200</b>	<b>52,537</b>
<i>Previous year</i>	<i>43,900</i>	<i>0</i>	<i>0</i>	<i>43,900</i>

Without consideration of the income generated through the acquisition of WORMLAND in the amount of € 9,835k, WORMLAND's contribution, taking into account purchase price allocation and pertinent write-downs and impairment amounts as per May 12, 2015, came to € 264k in the period from May 13 to December 31, 2015.

On the basis of simulated acquisition of the WORMLAND GROUP as per January 1, 2015, gross sales revenue for the WORMLAND subgroup in the amount to € 81,240k, and losses in the amount of approximately € -3,800k would have to be included.

## 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. Liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

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, 2015, LUDWIG BECK Group has access to framework credit facilities of € 39,000k. Approximately 26% 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. 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 assets to be disclosed pursuant to IAS 37.

### II. OTHER FINANCIAL COMMITMENTS

The Group's other financial commitments are as follows:

	Annual commitment		Total commitment	
	2015	2014	2015	2014
	€k	€k	€k	€k
Other financial commitments	16,945	3,994	192,061	97,025

Maturities within the total commitment are as follows:

	Up to 1 year	1 – 5 years	Over 5 years	Total
	€k	€k	€k	€k
Other financial commitments	16,945	62,867	112,249	192,061

Furthermore, the company is bound by a purchase order commitment for merchandise in the value of € 9,164k (previous year: € 8.488k).

### III. 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 November 27, 2015.

The Declaration of Conformity has been made permanently available to shareholders at the company's Internet site at <http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-conformity/>.

### IV. RELATIONS TO RELATED COMPANIES AND PERSONS

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

Each member of the Executive Board has sole power of representation. The members of the Executive Board are authorized to represent the company in legal transactions with themselves as representatives of a third party without restrictions.

#### Executive Board:

Dieter Münch, Businessman  
Christian Greiner, Businessman

Total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft amounted to € 1,208k (previous year: € 1.199k) in the fiscal year 2015.

As of December 31, 2015, the members of the Executive Board held 16,000 no-par shares (previous year: 15,000; purchased: 1,000; sold: 0).

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

#### Supervisory Board:

Dr. Joachim Hausser, Chairman, Businessman, Munich (until 5/13/2015)  
Dr. Steffen Stremme, Chairman (as of 5/13/2015), Businessman, Erlangen  
Edda Kraft, Vice Chairwoman (until 5/13/2015), Businesswoman, Leipzig  
Hans Rudolf Wöhr, Vice Chairman (as of 5/13/2015), Businessman, Reichenschwand  
Clarissa Käfer, Public Accountant, Tax Consultant and Lawyer, Munich (as of 5/13/2015)  
Philip Hassler, Sales Management Assistant, Munich\*)  
Michael Neumaier, Commercial Clerk, Grafrath\*)

Total remuneration of the Supervisory Board in the fiscal year 2015 amounted to € 250k (previous year: € 250k).

nuts communication GmbH, Nuremberg, charged € 0k (previous year: € 10k) for campaign-related services. nuts communication GmbH is to be treated as related person of Mr. Christian Greiner and Mr. Hans Rudolf Wöhr.

we love pr GmbH, Munich, rendered PR services worth € 14k (previous year: € 0k). we love pr GmbH is to be treated as related person of Mr. Christian Greiner and Mr. Hans Rudolf Wöhr.

consens GmbH, Reichenschwand, sold CDs to LUDWIG BECK and charged € 11k (previous year: € 0k). consens GmbH is to be treated as related person of Mr. Christian Greiner.

DORMERO Hotel AG, Berlin, rendered hotel and catering services worth € 16k (previous year: € 0k). DORMERO Hotel AG is to be treated as related person of Mr. Christian Greiner and Mr. Hans Rudolf Wöhr.

In addition to this, mention has to be made of the leading shareholders INTRO-Verwaltungs GmbH (49.2%) and Hans Rudolf Wöhr Verwaltungs GmbH (25.7%) as well as, indirectly, Mr. Hans Rudolf Wöhr being a shareholder in both these companies, and all entities affiliated with these three parties, as closely related persons.

In the reporting year, business to the value of € 8k (previous year: € 12k) was conducted between companies of the LUDWIG BECK Group and a subsidiary of INTRO-Verwaltungs GmbH.

Feinkost Käfer GmbH rented space in the LUDWIG BECK department store and operates a bistro. Käfer made rental payments for the bistro space in the amount of € 25k (previous year: € 0k). Vouchers and catering services worth € 28k (previous year: € 0k) were charged to LUDWIG BECK. Feinkost Käfer GmbH is to be treated as related person of Mrs. Clarissa Käfer.

All business transactions with related persons were conducted on an arm's length basis.

\*) Employee Representative

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:** TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand  
DORMERO Hotel AG, Berlin

**Advisory Board:** Büttel International Fashion Group, Salzbergen  
Deutsche Bank AG, Advisory Board for Bavaria

**Mr. Dieter Münch**

**Advisory Board:** DIMA Finanzierungs- und Immobilienreuehand GmbH, Berlin

**Dr. Joachim Hausser**

**Supervisory Board Chairman:** Turbina Energy AG, Unterhaching

**Dr. Steffen Stremme**

**Supervisory Board:** BU-Holding AG, Nuremberg  
**Advisory Board:** Dresdner/Commerzbank AG, Nuremberg  
Menzerna-Werk GmbH & Co. KG, Oetigheim

**Mrs. Edda Kraft**

**Supervisory Board:** Medienboard Berlin-Brandenburg, Potsdam  
**Advisory Board:** *Sabine Christiansen Kinderstiftung*, Berlin

**Mr. Hans Rudolf Wöhrl**

**Supervisory Board:** UFB:UMU AG, Nuremberg  
NÜRNBERGER Allgemeine Versicherungs-AG, Nuremberg  
AURUM-Project AG, Reichenschwand  
TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand

**Mrs. Clarissa Käfer**

**Management Board:** Käfer Schweiz AG, Basel

74.9% stake (2,767,004 shares) in LUDWIG BECK AG is indirectly attributable to Mr. Hans Rudolf Wöhrl.

The other members of the Supervisory Board held no no-par shares as of December 31, 2015 like in the previous year.

V. AUDIT FEES

The fee of the auditor for the lapsed fiscal year 2015 amounted to € 216k (previous year: € 139k).

The fee for the audit of the consolidated financial statements and 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 € 188k (previous year: € 118k). The amount incurred for tax consulting was € 5k (previous year: € 16k) and for other services € 23k (previous year: € 5k).

VI. PERSONNEL

	2015	2014
Full-time	298	183
Part-time	398	179
Temporary	120	116
	<b>816</b>	<b>478</b>

Apprentices were not included in the calculation.

VII. INFORMATION ACCORDING TO SEC. 297 PAR. 2 COMMERCIAL CODE (HGB)

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

Munich, February 12, 2016

The Executive Board



(1)



(5)



(6)



(2)



(4)



(3)

*Pictures:  
Lifestyle centers throughout Germany: (1) WORMLAND Dortmund,  
(2) WORMLAND Oberhausen, (3) WORMLAND Hamburg,  
(4) WORMLAND Frankfurt, (5) THEO Bochum, (6) THEO Ludwigshafen*

# 6 ADDITIONAL *information*

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## 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 of the Group. The Group 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 12, 2016

Dieter Münch Christian Greiner

## AUDITORS' REPORT

We have audited the consolidated financial statements prepared by LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, par. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal

control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a, par. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 26, 2016

BTU Treuhand GmbH  
Audit Firm

Ulrich Scheider  
Wirtschaftsprüfer  
(German Public Auditor)

Claudia Weinhold  
Wirtschaftsprüfer  
(German Public Auditor)

# FINANCIAL CALENDAR 2016

Sales Figures 2015	<b>January 8, 2016</b>
Balance Sheet Press Conference for the Annual Report 2015 (Munich)	<b>March 22, 2016</b>
Publication of the Annual Report 2015	<b>March 22, 2016</b>
Analyst Conference for the Annual Report 2015 (Frankfurt)	<b>March 23, 2016</b>
Interim Report for the 1 <sup>st</sup> Quarter 2016	<b>April 26, 2016</b>
Annual General Meeting 2016 (Munich)	<b>May 10, 2016</b>
Interim Report for the 2 <sup>nd</sup> Quarter and the 1 <sup>st</sup> six Months 2016	<b>July 26, 2016</b>
Interim Report for the 3 <sup>rd</sup> Quarter and the 1 <sup>st</sup> nine Months 2016	<b>October 25, 2016</b>

## IMPRINT & CONTACT

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More information about LUDWIG BECK is available at [kaufhaus.ludwigbeck.de/english/](http://kaufhaus.ludwigbeck.de/english/).  
Sign up there for our financial newsletter and receive all information promptly and comprehensively!

# NOTES

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