LUDWIG BECK

Ludwig Beck

ANNUAL REPORT 2001

Additional Information

Ludwig Beck

Ludwig Beck is one of Germany's leading retail companies with one of the country's top locations in Munich's central Marienplatz square.

We enjoy above-average growth in both sales and earnings. Our recipe for success is the »Store of the Senses« concept.

Our core values are **quality, expertise, a unique range of goods and individual presentation.**

We appeal to an attractive consumer group and achieve an exceptionally high degree of loyalty. Our customers value the outstanding **quality of advice** and **friendliness** of our sales staff.

We aim to utilize these strengths in order to become the most profitable and productive store in Germany.

Reiner Unkel, [43]
Chairman of the Executive Board of Ludwig Beck AG

Reiner Unkel's interests extend beyond economics and markets to the people behind the figures. After graduating in economics, he went straight into retailing: "I wanted not only to achieve objectives with others but to feel the daily reaction of the customer," says Unkel. After eleven years in various management positions and departments with well-known clothes retailer E. Breuninger GmbH & Co. in Stuttgart, he joined the Executive Board of Ludwig Beck AG in March 1997. Since April 1998 he has been Chairman of the Executive Board with special responsibility for purchasing, sales and personnel.

Dieter Münch, [47]
Member of the Executive Board of Ludwig Beck AG

Dieter Münch made his first contact with Ludwig Beck as a student intern while studying business administration in Munich. Fascinated by the special Ludwig Beck flair, he joined the company's Controlling department directly after graduating in 1980. He was drawn by the peculiar attraction exerted by financial statistics and the opportunity to control the business processes of a clearly structured organization. After holding several positions within the organization, he joined the Executive Board in April 1998, where he has been responsible for finance, marketing and investor relations since May 1999.

Key figures

LUDWIG BECK AG

	2001	2000	2001	Group 2000	Group 2001
Result					
Sales (gross)	€ million	100.2	**97.8**	100.3	**98.0**
VAT	€ million	13.7	**13.4**	13.8	**13.5**
Net sales	€ million	86.5	**84.4**	86.5	**84.5**
Gross profit	€ million	42.0	**40.4**	42.0	**40.6**
EBITDA	€ million	9.4	**8.3**	9.0	**8.2**
EBIT	€ million	6.5	**5.4**	6.1	**5.2**
Result from ordinary activities	€ million	5.6	**3.7**	5.2	**3.9**
Net income	€ million	5.6	**3.7**	5.2	**3.8**
DVFA/SG-based result	€ million	2.9	**2.3**	2.7	**2.5**
Share					
Number of shares	million	3.31	**3.18**	3.31	**3.18**
DVFA/SG-result per share	€	0.88	**0.71**	0.83	**0.78**
Dividend	€	0.87	**0.87**	0.87	**0.87**
Employees					
Employees	number	665	**626**	665	**626**
Other					
Sales area	m^2	13,000	**14,060**	13,000	**14,060**
Sales per m^2	€/m^2	7,700	**7,000**	7,700	**7,000**
Locations	number	4	**4**	4	**4**

Interview

? Question: Despite the negative trend in retail clothing sales during 2001, Ludwig Beck AG succeeded in more or less keeping earnings at their usual, high level. How was that possible?

! Unkel: We can attribute this success to our effective risk management system. It enabled us to react speedily to sluggish sales and to launch a series of cost-cutting measures. These measures, by the way, were not only launched but were quickly, and very successfully realized. As a result we were able to achieve savings of € 2.0 million in fiscal 2001 – mainly through reducing new recruitment, as well as cuts in operating and administration costs. Thanks to our high level of cash flow, however, we were still able to pursue our investment program.

! Münch: In such a situation, most retailers concentrate solely on sales. Not us: the most decisive figure for Ludwig Beck is earnings. In general, and considering the difficult market conditions of fiscal 2001, we can be very satisfied with a net income of € 3.8 million. For the Group as whole, that represents an EBIT margin of almost 6.1 % – a top figure within our sector.

? Question: How does Ludwig Beck manage to stay so profitable in such difficult times, and to outperform its sector competitors so clearly?

! Unkel: At its flagship Munich store, Ludwig Beck AG benefits mainly from the success of its “Store of the Senses” concept and its tailored marketing and target-group strategies. We do not compete on price, but offer top quality, an excellent service, a unique shopping experience and an exciting range of products at fair prices. Ludwig Beck is no ordinary store, but a very sensual store full of interesting experiences and surprises. We appeal to all the customer’s senses. This is recognized and honoured by our customers. Our consolidated gross sales for the year amounted to € 98.0 (100.3) million.

? Question: Can your shareholders therefore look forward to an unchanged dividend payment?

! Münch: Yes, of course. And this dividend of € 0.87 per share is still tax-free, i.e. does not count as taxable income for our shareholders. What's more, we have a written statement from the German tax authorities confirming that this exemption will continue to apply for the full duration of our loss carryforward. Based on our closing share price, shareholders can therefore look forward to a very respectable dividend yield of 7.25%. Ludwig Beck shares are therefore an excellent opportunity for value-oriented investors. This is illustrated by our performance over the past year, where we easily outperformed the Dax, M-Dax and Smax indices – not to mention the Neuer Markt index.

? Question: Despite the difficult market conditions of the past year, you not only focussed on maintaining earnings and trimming costs, but also laid the strategic foundations for additional growth in a number of fields. The former Ludwig Beck store has developed into a fully-fledged group of companies.

! Unkel: The long-term growth strategy, based on our position as a profitable and financially strong company, was already developed and launched in early 2001. Our guiding principle remains, however: growth in earnings has priority over growth in sales. Our growth strategy is based on four pillars:

- The first pillar is the expansion of our flagship store in Munich and of the “Ludwig Beck” brand.
- The second pillar is expansion via our branch strategy with mono-label stores.
- The third pillar is our eCommerce business segment, which was relaunched in August,
- and last but not least, our fourth pillar is acquisitions.

? Question: Sounds good. But were you able to implement any of these plans in 2001, considering the difficult trading conditions?

! Unkel: Yes, and we were even able to capitalize on a unique opportunity for Ludwig Beck: we managed to secure majority ownership of the property in which our main Marienplatz store has been located since 1861. What's more, we also laid the foundation for our branch strategy with mono-label stores.

! Münch: These two major strategic decisions meant that it was essential to create a group structure for the company – and this has also already been completed. The Ludwig Beck Group is now clearly structured according to specific business segments: the “AG” comprises our traditional business with our flagship store in Munich and the “Ludwig Beck” branch stores; the “Beteiligungs GmbH” contains our newly acquired real estate assets; the “Vertriebs GmbH” is a sales company aimed at exploiting the tremendous growth opportunities of well-established fashion labels; and finally, the “online GmbH” will pool our online and mail order businesses.

? Question: I can understand your enthusiasm, but let's start from the beginning. What made Ludwig Beck decide to invest so much money in something as boring as real estate?

! Münch: Well first of all, it wasn't actually all that much money – considering the value of the property. We now hold a majority stake in one of Germany's, or even Europe's, most prestigious real estate assets – our flagship store in Munich's central Marienplatz square, where Ludwig Beck has been doing business since 1861. However, we did not buy the property for sentimental reasons, but as a calculated business proposition. Based on a valuation of € 65 million, we have acquired a total holding of 50.1 percent in the property. This valuation already contains considerable upside potential.

? Question: That means that the location of your key store is secured for the rest of eternity. But what about the prospects for growth? The biggest surprise last year was obviously your entry into the business of marketing fashion labels via mono-label franchise systems.

! Unkel: Well, as they: "If you can't beat them, join them." The success of vertical sales channels, i.e. the production and retailing of a specific brand, has obviously cost us a certain amount of sales in the past few years. But instead of fighting this trend, we intend to benefit ourselves from the success of these systems in future. Obviously, we'll be able to draw on our tremendous expertise in purchasing and product range management. For example, we could advertise the stores with the slogan: "Powered by Ludwig Beck". Our intentions were received very warmly by our partners on the supplier side.

! Münch: This step has allowed Ludwig Beck to take a share of the growing mono-label retail business, which will complement our existing and highly successful multi-label business by providing additional sales and earnings.

? Question: This won't make you dependent on S.Oliver in any way, will it?

Münch: Not at all. In total, we aim to work with four different franchise systems: S.Oliver, Esprit, Gerry Weber and Tommy Hilfiger. The four labels give us a well-rounded portfolio: S.Oliver and Esprit for the mid-price segments – and especially for more commercial, younger markets – while Tommy Hilfiger stands for more up-market, sporty design and Gerry Weber appeals more to middle age-groups with its range of modern classics.

? Question: The new mono-label store business seems to be taking the place of your eCommerce operations, which you also started with great expectations.

! Unkel: No, we started our eCommerce business with very cautious forecasts, and on the back of our mail order business, which had been running successfully since 1990. Our Internet store for classical and jazz music (www.onlybeck.de) with a range of 80,000 CDs, has been making excellent progress since its comprehensive relaunch on August 23, 2001. We expect sales to grow by 50% in 2002, with a loss of no more than € 0.2 million. As a specialized niche market supplier, we've noticed that we're growing rapidly in popularity without the need for large-scale marketing efforts.

? Question: That leaves us with the fourth pillar of your growth strategy, acquisitions. Can you give us any details?

! Münch: Obviously, we're still interested and open for acquisitions, but our major priority this year and next will be the expansion of our mono-label business. This, of course, also entails minor acquisitions. "Ludwig Beck Vertriebs GmbH" has already taken over a number of existing stores in order to achieve more rapid growth.

? Question: That sounds like quite encouraging prospects…

! Unkel: Indeed. Regardless of how the economy develops, we expect strong growth in consolidated sales – especially when you consider that the expansion of floor space at our Marienplatz store will provide additional quantitative and qualitative growth potential in 2002 and 2003. In terms of earnings, we aim to raise our EBIT margin.

? Question: Considering the present market conditions, that sounds a little ambitious. Is that really realistic?

! Münch: Absolutely. After all, these forecasts are based on measures already introduced. They will help Ludwig Beck to continue its growth program, irrespective of how the sector is developing as a whole. What's more, the current market depression is not expected to last forever. Some time ago, we set ourselves a clear target: we want to be Germany's most productive and most profitable retail store. We expect to come very close to achieving this aim in the current year.

! Unkel: Let me just add one important point here: this success would never have been possible without the dedication and outstanding quality of our employees – especially at a time where we've had to trim costs and save on staffing. It is thanks to their commitment and excellent service that we have been able to enjoy an exceptionally high level of customer loyalty for many years now.

? Question: You actually had cause for celebration last year, as Ludwig Beck reached the grand age of 140 – an accomplishment that not many companies achieve…

! Unkel: Yes, that's right. We were actually planning to celebrate the anniversary in style – posters advertising the September 13th celebrations had already been put up. Following the terrorist attacks in America, however, we naturally decided to cancel the whole thing. But, we're sure we'll be able to make up for it when we celebrate our 145th birthday…

? Question: Mr. Unkel, Mr. Münch, thank you for the interview. I wish you an exciting and successful, new business year – and many more company anniversaries.

LUDWIG BECK GROUP

Organization chart

In the past year Ludwig Beck AG introduced a new group structure. Apart from other benefits, the new structure allows the company to present more transparent information about its new business activities by means of segment reporting. The new business segments are held as separate legal entities.

The Ludwig Beck Group is now clearly structured according to its various business segments:

- “Ludwig Beck AG” comprises our traditional business with our flagship Marienplatz store and the “Ludwig Beck” branch stores.
- “Ludwig Beck Vertriebs GmbH” is a sales company aimed at exploiting the tremendous growth opportunities of mono-label stores.
- “ludwigbeck-online GmbH” will be responsible for all eCommerce operations.
- “Ludwig Beck Beteiligungs GmbH” contains the newly acquired real estate assets.

For legal reasons, there are two further companies below the “Beteiligungs GmbH”: “Ludwig Beck Verwaltungs GmbH” (in which “Ludwig Beck AG” holds the majority share) is responsible for the management of “Feldmeier GmbH & Co. KG”, the owner of our Marienplatz premises.

The company’s management structure has already been adapted to the new organization, so that the additional growth in sales can be handled by the existing management team.

Growth of flagship store

If you're not progressing, you're regressing – Ludwig Beck is constantly pushing forward. One of the major success factors is our prestigious "Store of the Senses" in the heart of central Munich. Our relentless striving for optimal utilization of floor space has helped us to leverage this prime location and achieve consistently above-average revenues per square metre – year in, year out. In 2001, for example, we moved the haberdashery department into its own store in a neighbouring building. The result: delighted customers and sales figures beyond our expectations. The newly available space in the main building was let to a strategically interesting partner: the telecommunications company Group3G. Its popular "Quam" brand helps draw young and affluent customers into the store.

Continued expansion of core business

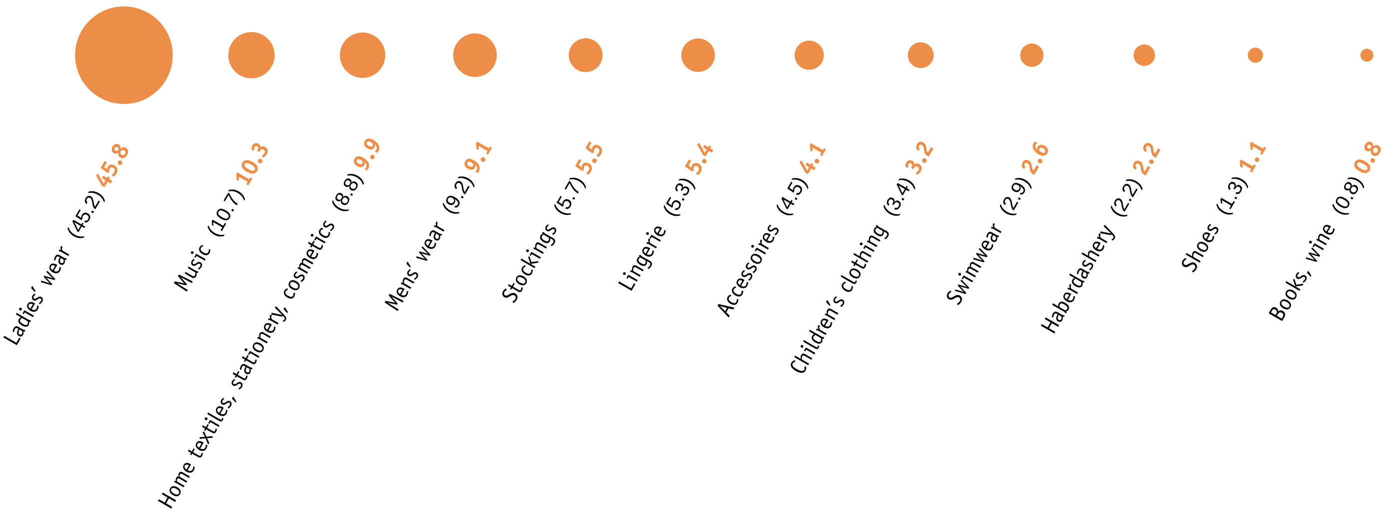
Unique “Store of the Senses” concept

The core business of Ludwig Beck AG benefits from the company’s unique “Store of the Senses” concept and its tailored marketing and target-group strategy. Thanks to targeted investments, efficient store space management and a systematic expansion of its sales areas, the flagship Munich store of Ludwig Beck remains extremely successful. This is all the more remarkable, considering that about 20,000 square metres of high-quality, clothes retailing space have been created in central Munich in the store’s direct vicinity over the past 24 months.

Growth with innovative product range strategy

With its innovative concepts and product ranges, Ludwig Beck was once again able to record a number of major successes in 2001. Despite the difficult market conditions, several Ludwig Beck departments tailored to specific customer needs succeeded in boosting sales once again in the past year. These include, for example, the “Hautnah” cosmetics division, which benefited from the continuing wellness boom and once again presented a number of new lines – many of which exclusive to Ludwig Beck in the Munich area – as well as the outsize fashions department, which has targeted fashion-conscious women seeking clothing in the continental sizes 46 to 54.

Sales by Category (Marienplatz) 2000/2001
in %



Rigid floor space management

When it comes to utilizing floor space in the most efficient way possible, Ludwig Beck occasionally comes up with some fairly unconventional methods: following the relocation of the Munich store's haberdashery department, the resulting 200 m^2 of free shop space on the highly frequented ground floor was successfully rented out to the telecom company Group3G. Since November 15, the new tenant has been using an open shop environment to market its "Quam" range of mobile phones and services. The partnership has proven to be mutually beneficial: a major advertising campaign by "Quam" has attracted additional young and affluent consumers to the store and generated extra revenue for Ludwig Beck AG. The rental income alone has had a significantly positive impact on earnings.

Increased floor space at Marienplatz store

Although it may not appear so from the outside: there is still plenty of potential for extra space at the company's flagship Marienplatz store. Ludwig Beck is continually finding creative ideas and opportunities for expanding the store's retail floor space.

Example 2001: Ludwig Beck utilized the opportunity of expanding floor space by establishing its successful haberdashery department as a separate store with 200 m^2 of space in a neighbouring building. The department's customers were delighted and sales have exceeded targets since the new store opened.

Continuation in 2002: Two floors added to part of the store's underwear house will create a further 250 m^2 in floor space and improve access to the surrounding departments. The new space will be utilized by the cosmetics department, one of the store's strongest growth areas. Further changes: the lingerie department will move to the first floor, where customers will find an extended range of feminine products in future. The second floor will also include the stationery and home textiles departments in future, in line with the current "cocooning" trend ("Ideas for the Home"). Our range of gift articles will also be expanded into its own department.

As a result of further moves within the main store building, we will create a new department called "Designer Sportive", featuring international, sports-oriented designer collections, such as Polo Ralph Lauren, Tommy Hilfiger, Belfe, Armani-Jeans, Escada-Sport, Robert Friedman, Nuala and Cambio.

In 2003 we expect to add further floor space and to utilize over 500 m^2 on the fifth floor, formerly used for storage.

Investments in our Marienplatz store in 2002

A number of investments in 2002 are expected to once again enhance the attraction of our main Munich store. The most significant investment is the opening of Ludwig Beck's "Wellness House". At the same time, we will expand our wellness and cosmetic ranges on the basis of our tremendous success to date. In future we will also be offering special wellness applications in the field of spa treatments. In total, the amount of floor space for our "Hautnah" division will more than double.

Unique "Store of the Senses" concept

At the entrance door to Ludwig Beck the customer realizes that this is no ordinary department store: "2 minutes to closing time – Welcome to Ludwig Beck!" Customers are still treated with individual care if they arrive shortly before closing time – and even if it means staying a quarter of an hour longer.

There are a number of things which are different about Ludwig Beck – the service, the level of competence, the range of goods and the store's fittings and decorations. Ludwig Beck has always set high standards of creativity, individuality, quality, modernity and emotionality. The tradition started with the foundation of the main store by the button-maker and master haberdasher Ludwig Beck in 1861. Since this time the store has been committed to embracing new ideas, product ranges and innovations.

The recipe for success is called: "Store of the Senses". This concept combines the unique features of Ludwig Beck. It is an emotional promise which emphasizes the individuality of Ludwig Beck and has the power to activate the public. Opinion polls carried out by the research institute Infratest discovered numerous positive associations: Ludwig Beck appeals to all the senses. The customer can see, smell, hear, feel and even taste something. He doesn't just buy clothes, he gets more. The atmosphere is pleasant: people feel at home. Beck's highly motivated staff make sure of that. The customer feels relaxed and that he is being individually attended to.

To put it briefly: shopping is fun. And Beck makes you want to shop. It's more than just a store.

Growth through branch store strategy

What has bacon got to do with fashion? More than you might think! Ludwig Beck is a well-known and highly popular store – not only in Munich itself, but also in the city's wealthy suburbs, known locally as the "Bacon Belt".

We aim to cultivate this popularity and strengthen our high level of customer loyalty – for example, with further "Bacon Belt" stores: in September 2001 Ludwig Beck opened a new store in Augsburg's "City-Galerie" shopping center and a further branch is to be opened in 2003 in Munich-Riem.

Branch concept:

Further Ludwig Beck branches to be opened

New branch store in Munich-Riem planned for 2003

A major pillar of Ludwig Beck's 2004 growth strategy is its branch store concept. The concept not only includes the opening of additional stores, but also the tapping of additional sales potential at our existing stores. In the past year, for example, rental agreements were made for a further branch store at the planned shopping centre of the new Munich-Riem trade fair district ("Riem-Arcaden"). The 1,000 m^2 store, which will serve the whole eastern Munich region, is expected to open in 2003. The new concept is tailored to branch stores with a floor space of between 1,000 and 2,000 square metres, preferably in shopping centres.

The product range will consist of well-known fashion labels but – as always with Ludwig Beck – offer something special: Beck is more individual and more creative. Beck presents variations, alternatives, cross-benefits. Customers can combine brands and lifestyles themselves. Ludwig Beck offers self-actualization at moderate prices. This new branch store concept has been put into practice at the newly refurbished 1,300 m^2 store in Munich's Neuperlach ("pep") shopping center, as well as at the new Augsburg store.

New Augsburg branch

The new Augsburg store with a floor space of 1,300 m^2 was opened according to plan on September 5, 2001 in time for the important autumn and Christmas business. The store offers an attractive range, aimed mainly at families, and recorded brisk trading in its first few days of business. The change of mood following the attacks of September 11, however, prevented the new store from fully establishing itself in its first few weeks. We are confident, though, that the new location will soon develop into a successful store for Ludwig Beck.

Closing of Hamburg branch

The company's store in Hamburg was closed as of September 30, 2001, as it no longer fitted in with the Group's overall strategy. Ludwig Beck AG succeeded in finding a replacement tenant to take over the existing lease and to pay suitable compensation to Ludwig Beck AG. The activities in Hamburg were therefore ended without any further financial burdens for the company.


LUDWIG BECK
s.Oliver

Growth through mono-label stores

Only genuine with the Ludwig Beck label. Not any more.

With the aid of our new, wholly-owned subsidiary "Ludwig Beck Vertriebs GmbH", we aim to take a share of the retail clothing sector's fastest growing segment – monolabel systems. In cooperation with its strategic partners, the new subsidiary will operate so-called "monolabel stores" as a franchisee for various fashion labels.

A number of S.Oliver and Gerry Weber stores have already been opened or acquired since the beginning of 2002.

Mono-label stores:

additional growth with successful franchise concepts

Mono-label stores display strongest growth in retail clothing sector

Whether as shop-in-shop or stand-alone franchise system: so-called mono-label stores have been the fastest growing segment in clothes retailing over the past few years. For example S.Oliver: based in Rottendorf, near Würzburg, the company already generates a third of its revenues on so-called “system sales” areas. By the end of 2001, S.Oliver already had 29 stores of its own in Germany, as well as 104 franchise businesses run by trading partners and almost 490 shops. According to the company’s own statistics, retail sales vary between 6,100 and 6,600 euros per square metre.

Sales of such textile manufacturers as S.Oliver and Esprit were originally through so-called “shop-in-shops” – small sales areas within larger department stores. Gradually, however, franchisees began marketing through stand-alone stores operated under the brand name. Since the late Nineties, however, these brand-based clothing manufacturers have been steadily extending their value chain – from design to production and ultimately retailing, the company now covers all aspects of the business. The products are sold through an extensive network of outlets – from image- and brand-building flagship stores in top, international shopping locations to small-town franchise shops.

Enhancing brand awareness

Classic designers of high-quality garments have always preferred to present their wares in their own, individual stores. Megastores incorporate the complete product range – including an increasing number of licensed goods, such as shoes, accessories and jewellery – and are therefore seen as ideal vehicles for transporting the company's philosophy. An exquisite shop interior can serve as both an image-building and image-reinforcing factor.

A further benefit of such stores are their short delivery cycles, which are often quite different to standard retail trade cycles. Most concepts work on a monthly collection rhythm, while Gerry Weber's is as short as just two weeks. Collections are constantly changing, so that shops are kept permanently up-to-date.

The decisive factor, however, is that brand awareness is enhanced by all these megastores, shop-in-shop systems and franchise operations – which in turn boosts sales at the local store.

Successful franchise systems "powered by Ludwig Beck"

With this step Ludwig Beck has successfully taken a share of the growing mono-label retail business, which will complement its existing and highly successful multi-label business by providing additional sales and earnings.

In order to benefit from the exceptional growth opportunities offered by mono-label stores (production and retail under one brand), Ludwig Beck AG has founded a 100% sales subsidiary, Ludwig Beck Vertriebs GmbH. As part of a strategic alliance, the new subsidiary will operate its own shops as a franchisee of S.Oliver. The first shop was opened in Memmingen in late February with a retail floor space of 250 m^2. Two existing S.Oliver stores in Regensburg were acquired on March 1, and in mid-April a further S.Oliver store and a "House of Gerry Weber" store were opened in the new Regensburg shopping center.

Supported by its long-standing expertise in the marketing of a wide variety of product assortments, Ludwig Beck plans to capitalize on the specific benefits offered by this new retail concept.

Esprit – the original Young Fashion brand

With its philosophy of treating fashion as an expression of lifestyle, Esprit has been the original Young Fashion brand for over 30 years. What started in the 70's as a range of leisure clothing expressing Californian lifestyle values, soon developed into an internationally successful fashion brand. The characteristic Esprit logo has long established itself as one of the world's most widely recognized trademarks.

Esprit attributes, such as self-confident, natural, modern and sensual, are translated into six collections with twelve deliveries per year: Women Casual & Collection, Men Casual & Collection, Kids, Shoes, Accessories, Esprit Sports and edc by Esprit with twelve collections and Bodywear with four collections per year.

The distinctive Esprit identity is based on its characteristic point-of-sale appearance coupled with the excellent fit and quality of its democratically priced clothing. With a firm focus on products and delivering value for money, Esprit invests continually in improving quality.

Successful licensing partnerships have helped promote the company's global expansion as a Lifestyle Group. Esprit timewear, jewel, eyewear, socks & tights, toys and home products are produced in cooperation with strong, globally operating companies. A recent addition was the perfume and skincare range launched in 2001 under the brand "Esprit scents & senses".

With 115 of its own stores throughout Europe, almost 150 franchise partners and over 1,000 shop-in-stores, Esprit has achieved an outstanding level of market presence.

House of Gerry Weber

Gerry Weber is one of the clothing industry's biggest players. It has been listed on the stock exchange for several years now and is soon to be included in the Mdax (mid cap) segment.

Gerry Weber's partner-store concept features the Gerry Weber, Gerry Weber Edition, Samoon, Taifun and Court One lines. Gerry Weber is the core brand of the concept: an upmarket coordinates collection in which confident and fashion-conscious women can find the perfect outfit for every occasion – mornings and evenings. Gerry Weber Edition is a constantly

ESPRIT

HOUSE OF
GERRY WEBER

fashionable range of separates offering excellent value for money. Taifun is the younger business label with a feel for the latest trends and fashions in the more commercial, youth segment. Court One is the more sporty, leisurewear label which rounds off the Gerry Weber range with its versatile combination themes. Samoon is the casual coordinate collection in large sizes, offering fashionable cuts and perfect fits in a market niche still largely unoccupied.

With their monthly collections in 14-day delivery cycles, all labels guarantee up-to-the-minute fashions. The range is rounded off by lifestyle articles such as bags and other accessories.

S.Oliver – lifestyle for the whole family

S.Oliver is well on the way to establishing itself as an international lifestyle brand. This objective has been supported since March 2002 by an extensive image campaign with emotional TV commercials and innovative print ads in selected fashion and mainstream magazines. The brand comprises more than just fashion – it represents a complete lifestyle world for the whole family. From large to small, S.Oliver offers nine different product lines. These are complemented by ten licensed products, ranging from perfume to socks and bed linen.

S.Oliver picks up on the latest trends and transforms them into fashionable products at attractive prices. Monthly collections ensure that stores always feature the right goods at the right time. The company's strong market presence is cemented by its own 29 megastores, 110 stores operated with partners and almost 500 shops.

TOMMY HILFIGER

Tommy Hilfiger: "Clothes should be fun – a creative and effective way of expressing your own personality. My collections are based on the many different aspects of an individual's lifestyle."

The internationally acclaimed creations of Tommy Hilfiger epitomise the creativity and variety of the American way of life. His collections embrace a true variety of styles – from classic elegance to the latest business fashions. The red-white-and-blue logo has long become a widely recognized symbol for "All American" clothing.

Hilfiger opened his first shop People's Place in the north of New York state in 1969 and soon developed an excellent feel for what his customers wanted. A true autodidact, he then set about designing exactly those clothes his customers wanted but couldn't find anywhere else.

He presented his first signature collection in 1984 and was soon being hailed as the new leading menswear designer. His complete lifestyle collections for men, women, children and home accessories combine to form a unique synthesis of classical and cutting-edge fashion trends.

Tommy Hilfiger products are marketed throughout the world in upmarket stores and fashion boutiques, as well as through the company's own shops in some of the world's most exclusive locations. The next milestone will be the opening of Tommy Hilfiger stores throughout the whole of Europe. The first of these stores was opened in early 2001 in one of Amsterdam's main shopping districts. A further store was opened in Antwerp/Belgium followed by two in Italy. Next stop is Germany, first in Düsseldorf, then with one of the first franchise stores – will be opened in 2003 – in cooperation with Ludwig Beck Vertriebs GmbH.

Growth through eCommerce

Ludwig Beck has always been in tune with its customers. Not only are we Germany's leading retailer of jazz and classical music, our skilled sales staff >>many of them musicians themselves<< are always on hand to offer expert advice.

Following its successful relaunch in August 2001, the complete catalogue of over 80,000 CDs is now also available through our online shop www.onlybeck.de. Music lovers around the world can select their favourite editions at the click of a button – a service which has already attracted over 10,000 registered customers and draws more than 300 visitors a day.

www.onlybeck.de:

Ludwig Beck now also in tune with its customers online

Sensible addition to core business

As the third of its four pillars for sustained growth, Ludwig Beck has created an independent eCommerce operation. Thanks to the Internet, the Ludwig Beck brand is now being marketed throughout the whole of Europe. The online shop at www.onlybeck.de offers the complete Beck range of jazz and classical music, which now comprises over 80,000 CDs.

Music has long played an important role in our product range: the classical music department opened in 1988 contains over 60,000 titles on over 320 m^2 of the fourth floor. The department can be proud of its achievements to date: in the classical music category it has a market share of 4% – of the whole German market. With annual sales of over € 7 million, Ludwig Beck is Germany's largest single retailer of classical music.

Our jazz and world music departments also boast the largest selection of their kind in Germany. Introduced in 1989, the jazz department currently features over 20,000 recordings. The world music department added in 1991 with over 10,000 titles, comprises world music, musicals, soundtracks and literature. With 8% of the German market for jazz and world music recordings, we are also the country's largest single retailer in this segment.

Ludwig Beck also aims to achieve solid growth in the often difficult world of online retailing. For Ludwig Beck, however, such eCommerce sales are based on the efficient infrastructure and logistics which we already established for our traditional mail order business, which was originally aimed at customers who already knew the store.

With our reputation as market leader in Germany for classical music and jazz, and based on our initial experience with traditional mail order sales of CDs, Ludwig Beck is now also creating a name for itself on the Internet as a specialist "e-tailer".

Efficient technological basis

The original plan to use an Internet shop system supplied by a leading global supplier of eBusiness solutions encountered a number of technical difficulties, which could not be satisfactorily remedied. As a consequence, the Internet shop was taken offline on April 25, 2001. In summer 2001, ludwigbeck-online GmbH was able to reach a mutually acceptable solution with the former technical supplier and, as a result, decided to dissolve the accrual it had formed for potential risks.

Together with its new partner, CashKit Krefeld, a new shop solution was developed with an investment volume of less than € 100,000. On August 23, 2001 www.onlybeck.de was relaunched with a new Web appearance and proven functionality. The product range was expanded slightly to encompass almost 80,000 CDs from the world of classical music and jazz and – to the best of our knowledge – now represents the largest range of its kind on the Internet. The user interface has been greatly enhanced and simplified and is backed up by an excellent and highly flexible database structure.

The success so far: without any form of marketing, *www.onlybeck.de* was already registering over 300 visitors per day by the end of 2001. Visitors typically utilize the full depth of our product range. The average time spent at the "onlybeck" site is approximately 8 minutes. Over 10,000 customers have already subscribed to our eMail newsletter and the monthly lists of special offers.

We have therefore succeeded in establishing an effective solution which meets the high requirements of customers and users with regard to functionality, performance, search capabilities and ease of ordering.

Long-term security

The "Marienplatz" store is now ours. At least a part of it: the newly founded subsidiary "Ludwig Beck Beteiligungs GmbH" has acquired a majority holding in the company which owns our flagship store.

We have thus gained one of Europe's most desirable retail sites and secured the long-term future for a store with over 140 years of tradition.

Long-term security

for Marienplatz premises.

High potential for groth in value

After many years of close partnership, Ludwig Beck AG succeeded last year in securing a majority shareholding in its store premises in Munich's central Marienplatz square: the home of Ludwig Beck's retail business since 1861. The acquisition was made possible by the company's long-standing and mutually beneficial relationship with the store's previous sole owner, the Feldmeier family, who also ran the business until 1982. The move has secured Ludwig Beck's premium location in one of Europe's most prestigious shopping districts.

This decisive strategic move means that Ludwig Beck will also benefit from the site's tremendous potential for future growth in value, leading to the formation of considerable undisclosed reserves in coming years. In a recent survey by the city of Munich, land in the Marienplatz square was re-assessed as being worth € 45,000/qm. The Marienplatz store occupies approximately 1,800 square metres of land. The participation is expected to generate positive returns for Ludwig Beck AG in the foreseeable future. An initial yield of 5 % is expected for 2002.

Foundation of Ludwig Beck Beteiligungs GmbH

For reasons of company law, the 50.1 % participation in Feldmeier GmbH & Co. Betriebs KG was effected retroactively as of September 1, 2001 via the newly founded Ludwig Beck Beteiligungs GmbH, a 100% subsidiary of Ludwig Beck AG. Feldmeier GmbH & Co. Betriebs KG is the sole owner of the store's Marienplatz premises. The management of Feldmeier GmbH & Co. KG will be handled by Ludwig Beck Verwaltungs GmbH, a company founded specifically and exclusively for this purpose, in which Ludwig Beck AG owns a majority shareholding of 50.2 %.

The participation was based on a valuation of around € 65 million; the investment was financed mainly by taking out mortgages of € 17.9 million on the property itself. In order to capitalize on the current low interest levels, the interest rate for the major share of mortgages was fixed for a period of 20 years.

Unique location in Munich's Marienplatz square

For over 140 years Ludwig Beck's main store has been located in the Marienplatz square of central Munich: in 1861 the button-maker and haberdasher Ludwig Beck opened a workshop and store in Dienergasse, at the entrance to the Marienplatz. With over 500,000 visitors per day the famous Marienplatz square is now one of the most frequently visited European attractions and one of Europe's premier retail locations.

As a junction for all major tram and underground lines, the Marienplatz is also easy to access for visitors, 80 % of whom arrive by public transport. With its spectacular tourist attractions, such as the "Glockenspiel" bells, "Mariensäule" statue and historical town hall, the square acts as a magnet for all visitors to the city – a highly cosmopolitan location.

Over the past few years Ludwig Beck has invested more than € 10 million in its Marienplatz store and revamped more than half its floor space since 1997. At € 7,600/m2, the store's productivity is far higher than that of comparable retail companies, which generally do not exceed sales of € 5,100/m2.

Munich's Marienplatz is an ideal location for Ludwig Beck. With 1.3 million inhabitants in the city and a further 2.4 million in the immediate region, the Bavarian capital is a European metropolis and an attractive location for modern industries, media, retailers and services. As a popular venue for trade fairs and busy tourist centre, Munich receives 52 million day-trippers per year with over 3.2 million overnight stays. Munich is rightly described as a "boomtown" within Germany and enjoys the country's highest level of employment. Projected annual growth of 5 % and an additional 166,000 jobs by 2007 have also helped Munich earn a reputation as Germany's fastest growing region. With an index score of 132.4 (based on a national average of 100), Munich and five of its surrounding districts are among the top ten German regions in terms of purchasing power. The city even reaches 158.1 in terms of retail sales – proof of its importance as a shopping center for the whole region. Munich is a highly attractive shopping city which appeals to all the senses – lively, cosmopolitan and modern.

Ludwig Beck has now secured this unique location with its majority shareholding in the company's real estate company.

Management Report

Ludwig Beck Group and Ludwig Beck AG

Economic situation

Although forecasts were still optimistic at the start of 2001 – the government predicting growth of 2.75% – the economic situation in Germany deteriorated rapidly during the course of the past year. From spring onwards, analysts were already beginning to make the first of several downward corrections to their projections. In the end, Gross Domestic Product (GDP) rose by just 0.6% (3.0%) in real terms. This was the slowest growth rate since 1993.

At 3.6%, nominal growth in disposable incomes may have been stronger than the year before (2.8%), but in contrast to previous years it also exceeded the rise in consumer spending of 3.2% (2.9%).

For the first time since 1991, there was a rise in the personal savings ratio to 10.1% (9.8%).

Retail trade

Sales in the German retail clothing sector continued to fall in 2001. The expected boost to spending from tax reforms failed to take place, as high unemployment and strong price rises for food and fuel dampened demand. In the south of Germany, retailers were also hit by the effects of freak weather conditions: an exceptionally cold April and the warmest October since records began, meant that both seasons got off to a miserable start with sales down 7% on the respective periods in the previous year (source: trade journal “Textilwirtschaft”).

For 2001 as a whole, the retail clothing sector recorded a decline of 2% on the previous year (“Textilwirtschaft”).

Weak demand coupled with the abolition of Germany’s Rebates Act resulted in a flurry of spectacular discounts, the like of which had not been seen before in the retail clothing sector. The price cuts provoked some strong reactions among manufacturers, retailers and trade associations.

Sales

The Ludwig Beck Group was unable to escape the effects of a weaker German economy in the past year, recording a decline of 2.4% in gross sales to € 98.0 (100.3) million.

Despite the fall in sales, however, inventories remained stable at € 9.2 (9.1) million and further improvements were made to the age structure of stock.

There were large discrepancies between the development of sales in various product categories. Whereas clothing tended to suffer most from the general economic downturn, sales of cosmetic products recorded growth of 24% to € 4.8 (3.9) million – a clear indication of the growing importance of this segment.

On September 5, the new Augsburg store with 1,300 square metres (m^2) of floor space was opened on schedule in the town’s central “City Galerie” shopping mall. The company’s Hamburg store was closed on September 30 as the premises could be successfully sublet to a new tenant. With a retail area of just 240 m^2 the store no longer played a significant role in the company’s future strategy.

Profit and loss account for Ludwig Beck AG

	2001 € million	**2001 in %**	2000 € million	2000 in %
Net sales	84.4	100.0	86.5	100.0
Total other operating income	2.8	3.3	1.9	2.2
	87.1	**103.3**	**88.4**	**102.2**
Material expenses	43.9	52.1	44.5	51.4
Total other operating expenses	37.9	44.8	37.4	43.3
Operating result (EBIT)	**5.4**	**6.4**	**6.5**	**7.5**
Financial result	-1.6	-2.0	-0.9	-1.0
Result from ordinary activities	**3.7**	**4.4**	**5.6**	**6.5**
Taxes	0.0	0.0	0.0	0.0
Net income	**3.7**	**4.4**	**5.6**	**6.5**

Earnings

In view of the clear signs of an impending economic downturn, Ludwig Beck AG already began taking measures to cut costs in spring last year. These cost reduction measures were applied to all cost categories and achieved savings of almost € 2 million. Thanks mainly to this strict cost management strategy, the company was able to record an operating result (EBIT) of € 5.4 (6.5) million in 2001.

Other operating income and other operating expenditure should be regarded together, but are not allowed by German Commercial Law (HGB) to be netted off against each other.

Consolidated profit and loss account for Ludwig Beck AG

	2001 € million	2001 in %	2000 € million	2000 in %
Net sales	84.5	100.0	86.5	100.0
Total other operating income	2.6	3.1	1.9	2.1
	87.1	**103.1**	**88.4**	**102.1**
Material expenses	43.9	52.0	44.5	51.4
Total other operating expenses	38.0	45.0	37.8	43.7
Operating result (EBIT)	**5.2**	**6.1**	**6.1**	**7.0**
Financial result	-1.3	-1.6	-0.9	-1.0
Result of ordinary activities	**3.9**	**4.5**	**5.2**	**6.0**
Taxes	0.0	0.0	0.0	0.0
Net income	**3.8**	**4.5**	**5.2**	**6.0**
Minority interests	0.3	0.4	0.1	0.1
Net income after minority interests	**4.2**	**4.9**	**5.3**	**6.1**

The consolidated financial accounts for the Ludwig Beck Group include the results of Ludwig Beck AG and ludwig-beck-online GmbH, as well as – for the first time in 2001 – the newly founded Ludwig Beck Beteiligungs GmbH and Ludwig Beck Vertriebs GmbH.

ludwigbeck-online GmbH, which comprises all online activities and mail order record sales, carried out a comprehensive restructuring of its Internet website in the past trading year. A new application software was developed and the whole site made more user-friendly. Investments made so far in the old software solutions were completely adjusted. The company's revamped Internet shop has also reduced operating expenditure considerably.

The newly founded Ludwig Beck Vertriebs GmbH, created to manage the Group's franchise store operations, will not generate revenues until fiscal 2002. In the past trading year, the company merely recorded various start-up costs.

Another new subsidiary is the Ludwig Beck Beteiligungs GmbH, which acquired a majority holding in Feldmeier GmbH & Co. Betriebs KG and its fully liable partner. Feldmeier GmbH & Co. Betriebs KG is the owner of the company's flagship store premises in central Munich. Due to refinancing activities, the company posted a once-only loss in 2001.

Once again the Group succeeded in achieving a high level of profitability, with an EBIT margin of 6.1%. This is all the more encouraging, considering the adverse market conditions of the past year.

Personnel

Due to cost reduction measures introduced during the year, personnel expenses of Ludwig Beck AG were held constant at € 19.3 (19.3) million.

This corresponded to 22.9% (22.3%) of net sales. Offset by corresponding income amounts, this resulted in a ratio of 22.4% (21.8%) of net sales.

The number of employees changed to a yearly average figure of 626 (665), plus a total of 90 (82) apprentices. Of this total, there were 293 (297) full-time staff, 226 (247) part-time staff and 107 (121) temporary staff.

Apart from the staff of Ludwig Beck AG, the Ludwig Beck Group employs no further personnel.

Cost situation

With net sales of € 84.4 (86.5) million for Ludwig Beck AG and a cost of sales figure of € 43.9 (44.5) million, the company generated a gross margin of 47.9% (48.6%).

Further reductions were made to other operating expenses – netted with corresponding revenues – during the past fiscal year. They amounted to just € 13.2 (13.7) million for Ludwig Beck AG, corresponding to a cost-to-sales ratio of 15.6% (15.9%).

Cost structure Ludwig Beck AG

(offset by incomes) as % of net sales

These savings were made possible by a continuation of the company's rigorous cost management program.

A corporate strategy based on enhancing earnings is the best guarantee for stable returns in periods of economic uncertainty.

The Ludwig Beck Group posted consolidated net sales of € 84.5 (2000: 86.5) million. The operating result (EBIT) amounted to € 5.2 (2000: 6.1) million and includes € 0.4 million once-only costs for ludwigbeck-online GmbH, resulting from an adjustment for the initial online shop solution.

Financial result

The financial result of Ludwig Beck AG amounted to € -1.6 (-0.9) million. This figure contains € -0.8 million for the adjustment on the proportional holding in ludwigbeck-online-GmbH.

For the Ludwig Beck Group as a whole, the figure amounted to € 1.3 (-0.9) million and included for the first time interest charges resulting from real estate management of the central Munich store. In order to capitalize on the current low level of interest, long-term mortgages were taken on the property with periods up to 20 years.

Taxes

Due to the remaining loss carryforward, the result from ordinary activities is not encumbered by taxes and is therefore identical with the company's net income. As of December 31, 2001 the loss carryforward amounted to € 8.8 million trade earnings tax and € 13.7 million corporation tax.

Net income

Ludwig Beck AG posted net income of € 3.7 (5.6) million. Together with a profit carryforward from the previous year of € 0.2 million, the unappropriated surplus amounted to € 3.9 million. Of this total, € 1.2 million was transferred to revenue reserves, leaving an unappropriated net income of € 2.7 (2.9) million.

An unchanged dividend payment of € 0.87 (0.87) per no-par-value share is to be recommended to the AGM.

Consolidated net income after minority interests amounted to € 4.2 (5.3) million for the Ludwig Beck Group as a whole.

Consolidated DVFA/SG-based earnings

According to the DVFA (German Association of Financial Analysts) calculation of earnings, profits are to be encumbered with deferred taxes in years following losses, even though Ludwig Beck was once again effectively exempted from tax in the past fiscal year.

DVFA/SG-based earnings of Ludwig Beck Group

	2001 € million	2000 € million
Net income	3.8	5.2
Deferred taxes	-1.6	-2.5
Minority interests	0.3	0.0
DVFA/SG-based earnings	**2.5**	**2.7**
Earnings per share (€)	0.78	0.83

IAS-based earnings

Companies listed in the SMAX segment of the German stock exchange are obliged to publish annual financial statements according to international accounting standards for years beginning after December 31, 2001. Ludwig Beck has once again already fulfilled this future obligation in its annual financial statements for 2001 with the inclusion of a reconciliation table according to IAS (International Accounting Standards).

Reconciliation chart acc. to IAS

	2001 € million	2000 € million
Consolidated net income acc. to HGB	3.8	5.2
Adjustments to IAS:		
Financial leasing	0.1	0.1
Intangible assets	0.1	0.1
Own shares	0.0	0.1
Discounted liabilities	-0.7	0.0
Others	0.0	0.1
Deferred taxes	-1.6	-2.4
Change in value of loss carryforward	0.0	-1.2
Result acc. to IAS	**1.7**	**2.0**
Outstanding shares (million)	3,180	3,310
Undiluted results per share (€)	0.52	0.59

Investment and finance

In fiscal 2001 Ludwig Beck AG recorded a significant increase in net cash used in investing activities of € 8.9 (2000: 4.5) million, due to an amount of € 7.1 (2000: 0.9) million for the capitalization of affiliated companies.

This outflow of cash was compensated for in part by net cash from operating activities amounting to € 6.3 (2000: 9.3) million. As financing activities also provided a positive cash flow of € 2.5 million, cash and cash equivalents remained unchanged at € 0.5 (2000: 0.5) million as of the balance sheet date.

At € 2.2 million, capital expenditures remained slightly below depreciation allowances of € 2.9 million. There were further investments of € 1.0 million in sale-and-lease-back activities.

Cash flow statement for Ludwig Beck AG

	2001 € million	2000 € million
Net income	3.7	5.6
Depreciation	2.9	2.9
Increase/Decrease (+/-) in long-term accruals	-0.4	0.0
Non-cash expenditure/income (+/-)	0.9	0.0
Cash flow	**7.1**	**8.5**
Decrease/Increase (+/-) in working capital	-0.8	0.8
Net cash from operating activities	**6.3**	**9.3**
Proceeds from disposal of fixed assets	0.4	0.0
Disbursements for additions to fixed assets	-2.2	-3.6
Disbursements for investments in affiliated companies	-7.1	-0.9
Net cash used in investing activities	**-8.9**	**-4.5**
Dividend payment	-2.8	-2.9
Purchase of own shares	-0.8	-2.1
Increase/Decrease (+/-) in interest-bearing liabilities	6.2	-0.2
Net cash from/used in financing activities (+/-)	**2.6**	**-5.2**
Change in cash and cash equivalents	0.0	-0.3
Cash and cash equivalents at beginning of fiscal year	0.5	0.8
Cash and cash equivalents at end of fiscal year	**0.5**	**0.5**

Consolidated cash flow statement for the Ludwig Beck Group

	2001 € million	2000 € million
Net income	3.8	5.2
Depreciation	3.0	2.9
Increase/Decrease (+/-) in long-term accruals	-0.4	0.1
Non-cash expenditure/income (+/-)	-0.7	0.0
Cash flow	**5.7**	**8.2**
Decrease/Increase (+/-) in working capital	-2.3	0.7
Net cash from operating activities	**3.4**	**8.9**
Proceeds from disposal of fixed assets	0.4	0.0
Disbursements for additions to fixed assets	-2.5	-4.0
Disbursements for the acquisition of affiliated companies	-10.4	-0.0
Net cash used in investing activities	**-12.5**	**-4.0**
Contributions from minority interests	0.1	0.1
Dividend payment	-2.8	-2.9
Purchase of own shares	-0.8	-2.1
Increase/Decrease (+/-) in interest-bearing liabilities	12.9	-0.2
Net cash from/used in financing activities (+/-)	**9.4**	**-5.1**
Change in cash and cash equivalents	0.3	-0.2
Cash and cash equivalents at beginning of fiscal year	0.6	0.8
Cash and cash equivalents at end of fiscal year	**0.9**	**0.6**

In the consolidated cash flow statement for the Ludwig Beck Group, net cash from operating activities fell to € 3.4 (2000: 8.9) million. This was caused in part by an increase in working capital of € 2.3 (2000: reduction of 0.7) million, resulting from a reduction in short-term accruals of € 2.0 million.

Net cash used in financing activities includes an amount of € 10.4 million for the purchase of a majority sharehold-ing in Feldmeier GmbH & Co. Betriebs KG. The investing activities were financed by the raising of further loans.

Balance sheet structure

Fixed assets of Ludwig Beck AG rose to € 20.4 (15.2) million as of the balance sheet date. This resulted mainly from an increase of € 6.2 million in financial assets, which consist solely of shareholders' equity and loans to the three subsidiaries. An amount of € 5.5 million was invested in Ludwig Beck Beteiligungs GmbH, which manages the company's real estate holdings.

Current assets rose to € 14.7 (13.3) million. This amount includes own shares valued at € 2.9 (2.1) million.

There was an increase in shareholders' equity of € 1.0 million to € 19.0 (18.0) million, whereby reserves for own shares rose by € 0.8 million to € 2.9 million.

As of December 31, 2001 Ludwig Beck AG owned a total of 238,438 own shares (Dec. 31, 2000: 158,580). As of the balance sheet date, these own shares were valued at € 12.0. In fiscal 2001 the company bought 79,858 of its own shares at prices between € 9.50 and € 12.80. The average purchase price amounted to € 10.36 plus ancillary costs.

Ludwig Beck AG now owns 7.1 % of share capital.

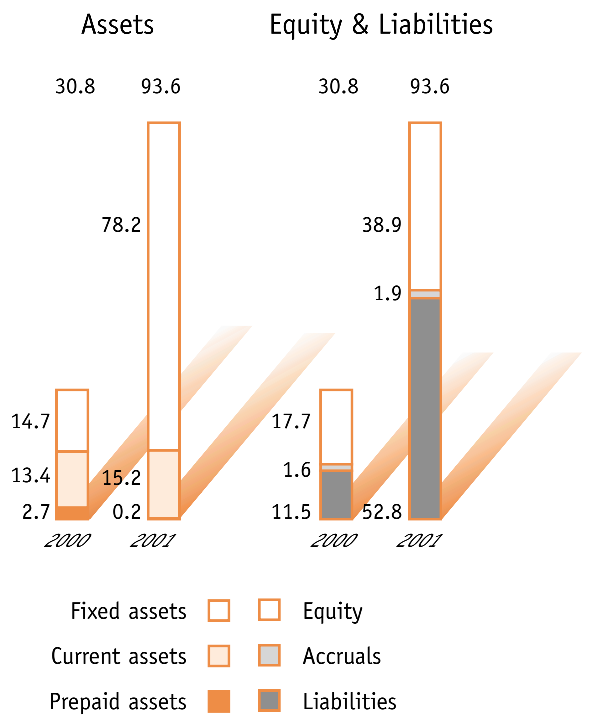
Liabilities rose to € 17.8 (11.6) million, due mainly to the external financing of increased financial assets.

The balance sheet total amounted to € 37.7 (31.2) million.

Balance sheet structure Ludwig Beck AG

in € million

Balance sheet structure Ludwig Beck Group
in € million



The consolidated balance sheet of the Ludwig Beck Group showed a strong increase in total assets to € 93.6 (30.8) million, resulting from the expansion of the consolidated-group. In addition to ludwigbeck-online GmbH and Ludwig Beck Vertriebs GmbH, the Group now includes the shareholding of Ludwig Beck Beteiligungs GmbH in Feldmeier GmbH & Co. Betriebs KG and its real estate assets.

Despite the purchase of these real estate holdings, the Group's equity ratio remains at a very respectable 41.6 (57.5) %.

Outlook

Following the extreme difficulties it had to face in the past year, the German retail clothing sector entered the current year in a much more subdued mood. The continued economic downturn, coupled with consumer uncertainty surrounding the introduction of the euro, have combined to dash any hopes of a rapid recovery in demand. The trend towards increased floor space remains strong and will continue to fuel fierce competition for consumer attention.

We expect that retail companies without a secure financial footing and clear market positioning will once again face far greater problems than the sector as a whole.

The German government expects growth in real terms of just 0.75% for the current year – a figure which already takes into account an expected economic recovery in the second half of 2002. This view is not shared by representatives of German industry: the Association of German Chambers of Industry and Commerce (DIHK) expects "feeble" growth of just 0.5% for 2002.

In its annual economic report, the German government forecasts nominal growth in consumer spending of around 2.5% (2001: 3.2%). In view of an expected inflation rate of around 1.5%, this would represent growth of approximately 1.0% (1.4%) in real terms.

The abolition of the Rebates Act has had a significant impact on the German retail sector. Many companies have tried to make up lost ground by offering excessive price discounts, even on current seasonal goods.

Ludwig Beck will not join those pursuing this trend. We will continue to compete not only on price, but by offering excellent value for money.

We believe that in the long-term, our expert and friendly service, excellent product quality and innovative store concepts are the key to demonstrating competence in the eyes of our customers.

Despite the adverse economic conditions and specific problems of the retail sector, Ludwig Beck will once again succeed in continuing its own personal success story in the current year. The reconstruction of the underwear house at our central Munich store in the first half of 2002 will provide two extra floors and thus create additional shop floor space.

This new space will be used mainly for the expansion of our perfumery and wellness departments, in order to benefit from the growing demand for health and bodycare products.

We will devote considerable extra space to our extremely successful cosmetics department, which will feature further innovative, new products and brands as well as a unique wellness area.

The ladies lingerie department will also be completely revamped, with new segments and brands aimed at expanding our expertise in this field.

A decisive growth factor will be the activities of Ludwig Beck Vertriebs GmbH, founded on August 10, 2001. The new company will operate its own stores as a franchisee of well established brands with proven market experience. Six stores are already firmly planned for the current year. The company is also considering a number of other locations, which may be realized at short notice.

In general, Ludwig Beck expects to lay the foundation for continued success with growth above the sector average in the current year. Despite the difficulties of the present economic environment, the Executive Board aims to achieve an increase in sales revenues this year. However, we expect growth rates to be much stronger in fiscal 2003.

Against the backdrop of our various projects, we are convinced that Ludwig Beck will succeed in weathering the current market difficulties and continue along the successful course which we have charted for the company.

Munich, February 2002

The Executive Board

Balance sheet of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

as of Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Notes	2001 in T€	2000 in T€
ASSETS			
A. FIXED ASSETS	(1)		
I. Intangible assets		2,281	2,949
II. Tangible assets		10,940	11,354
III. Financial assets		7,138	915
		20,359	**15,218**
B. CURRENT ASSETS			
I. Inventories	(2)	9,304	9,188
II. Receivables and other assets	(3)	1,753	1,289
III. Own shares	(4)	2,861	2,062
IV. Cheques, cash-in-hand, bank balances		782	753
		14,700	**13,292**
C. PREPAID EXPENSES	(5)	2,610	2,713
		37,669	**31,223**
SHAREHOLDERS' EQUITY AND LIABILITIES			
A. EQUITY	(6)		
I. Subscribed capital	(7)	8,590	8,590
II. Capital reserves		7	7
III. Revenue reserves	(8)	7,663	6,495
IV. Unappropriated net income	(9)	2,716	2,920
		18,976	**18,012**
B. ACCRUALS	(10)	869	1,561
C. LIABILITIES	(11)	17,824	11,646
D. DEFERRED INCOME		**0**	4
		37,669	**31,223**

Profit and loss account of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

from Jan. 01 - Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Notes	2001 in T€		2000 in T€	
1. Sales revenues	(12)				
- sales (gross)		97,783		100,232	
- minus sales tax		13,413	84,370	13,773	86,459
2. Own work capitalized			115		160
3. Other operating income			2,667		1,790
			87,152		**88,409**
4. Cost of materials		43,922		44,487	
5. Personnel expenses	(13)	19,312		19,303	
6. Depreciation	(14)	2,938		2,899	
7. Other operating expenses		15,588	81,760	15,238	81,927
			5,392		**6,482**
8. Financial result	(15)		- 1,645		- 878
9. Result from ordinary business activity			**3,747**		**5,604**
10. Net income			**3,747**		**5,604**
11. Profit carryforward			138		0
12. Transfers to revenue reserves	(17)		1,169		2,684
13. Unappropriated net income			**2,716**		**2,920**

Development of fixed assets of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

from Jan. 01 - Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Acquisition / manufacturing costs		
	As of 01.01.2001	Additions	Disposals
	T€	T€	T€
I. FIXED ASSETS			
I. Intangible assets			
1. Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	609	92	351
2. Goodwill	5,466	0	433
	6,075	**92**	**784**
II. Tangible assets			
1. Land, land rights and buildings, including buildings on third party land	18,400	1,270	1,212
2. Other fixtures and fittings, tools and equipment	12,112	797	4,527
3. Payments on account and assets under construction	107	65	0
	30,619	**2,132**	**5,739**
III. Financial assets			
1. Shares in affiliated enterprises	915	3,915	0
2. Participations	0	3,138	0
	915	**7,053**	**0**
	37,609	**9,277**	**6,523**

Reclassifications	As of 31.12.2001	Cumulative depreciation	**Book value 31.12.2001**	Book value 31.12.2000	Depreciation of the fiscal year
T€	T€	T€	**T€**	T€	T€
0	350	227	123	157	23
0	5,033	2,875	2,158	2,792	452
0	**5,383**	**3,102**	**2,281**	**2,949**	**475**
77	18,535	10,448	8,087	8,474	1,682
30	8,412	5,624	2,788	2,773	781
- 107	65	0	65	107	0
0	**27,012**	**16,072**	**10,940**	**11,354**	**2,463**
0	4,830	830	4,000	915	830
0	3,138	0	3,138	0	0
0	**7,968**	**830**	**7,138**	**915**	**830**
0	**40,363**	**20,004**	**20,359**	**15,218**	**3,768**

Consolidated balance sheet of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

as of Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Notes	2001 in T€	2000 in T€
ASSETS			
A. FIXED ASSETS	(1)		
I. Intangible assets		2,363	3,209
II. Tangible assets		75,825	11,495
		78,188	**14,704**
B. CURRENT ASSETS			
I. Inventories	(2)	9,316	9,188
II. Receivables and other assets	(3)	1,751	1,290
III. Own shares	(4)	2,861	2,062
IV. Cheques, cash-in-hand, bank balances		1,260	858
		15,188	**13,398**
C.PREPAID EXPENSES	(5)	190	2,723
		93,566	**30,825**
SHAREHOLDERS' EQUITY AND LIABILITIES			
A. EQUITY	(6)		
I. Subscribed capital	(7)	8,590	8,590
II. Capital reserves		7	7
III. Revenue reserves	(8)	7,731	6,150
IV. Minority interests		19,881	53
V. Unappropriated consolidated net income		2,716	2,920
		38,925	**17,720**
B. ACCRUALS	(9)	1,917	1,575
C. LIABILITIES	(10)	52,724	11,525
D. DEFERRED INCOME		0	5
		93,566	**30,825**

Consolidated profit and loss account of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

from Jan. 01 - Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Notes	2001	2001 in T€	2000	2000 in T€
1. Sales revenues	(12)				
- sales (gross)		98,038		100,270	
- minus sales tax		13,481	84,557	13,885	86,485
2. Own work capitalized			115		160
3. Other operating income			2,473		1,692
			87,145		**88,337**
4. Cost of materials			43,922		44,486
			43,223		**43,851**
5. Personnel expenses	(13)	19,315		19,303	
6. Depreciation	(14)	3,024		2,920	
7. Other operating expenses		15,697	38,036	15,534	37,757
			5,187		**6,094**
8. Financial result	(15)		- 1,333		- 866
9. Result from ordinary business activity			**3,854**		**5,228**
10. Other taxes			30		0
11. Consolidated net income			**3,824**		**5,228**
12. Minority interests	(16)		335		32
			4,159		**5,260**
13. Profit carryforward			138		0
14. Withdrawals from revenue reserves			0		2
15. Transfers to revenue reserves	(17)		1,581		2,342
16. Unappropriated consolidated net income			**2,716**		**2,920**

Development of consolidated fixed assets of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

from Jan. 01 - Dec. 31, 2001 acc. to German Commercial Code (HGB)

	Acquisition / manufacturing costs		
	As of 01.01.2001	Additions	Disposals
	T€	T€	T€
I. FIXED ASSETS			
I. Intangible assets			
1. Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	649	160	351
2. Goodwill	5,466	0	433
3. Payments on account	223	71	294
	6,338	**231**	**1,078**
II. Tangible assets			
1. Land, land rights and buildings, including buildings on third party land	18,400	66,152	1,212
2. Other fixtures and fittings, tools and equipment	12,273	802	4,629
3. Payments on account and assets under construction	107	65	0
	30,780	**67,019**	**5,841**
	37,118	**67,250**	**6,919**

Reclassifications	As of 31.12.2001	Cumulative depreciation	**Book value 31.12.2001**	Book value 31.12.2000	Depreciation of the fiscal year
T€	T€	T€	**T€**	T€	T€
0	458	253	205	194	46
0	5,033	2,875	2,158	2,793	452
0	0	0	0	222	0
0	**5,491**	**3,128**	**2,363**	**3,209**	**498**
77	83,417	10,487	72,930	8,474	1,721
30	8,476	5,646	2,830	2,914	805
- 107	65	0	65	107	0
0	**91,958**	**16,133**	**75,825**	**11,495**	**2,526**
0	**97,449**	**19,261**	**78,188**	**14,704**	**3,024**

Notes to the Financial Statements and Consolidated Financial Statements

of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG

(A) **Basis of presentation** (B) **Notes and explanations to items of the balance sheet** (C) **Notes and explanations to items of the profit and loss account** (D) **Segment reporting** (E) **Other details**

(A) Basis of presentation

1. Accounting Principles and valuation methods

Acquired **intangible assets** are capitalized at acquisition cost and amortized pro rata temporis using the straight-line method.

Goodwill is amortized over its expected useful life using the straight-line method.

Tangible assets are capitalized at acquisition or manufacturing cost, including any ancillary costs, and always depreciated in scheduled amounts using the straight-line method. Movable fixed assets whose value does not exceed € 400 are written off fully in the year of acquisition. Half-year depreciation amounts are allocated wherever permissible under German tax regulations.

Financial assets are valued at acquisition cost and, where necessary, written down to the lower of cost or market.

Raw materials and supplies are valued at the lower of acquisition and replacement cost.

Merchandise is valued at acquisition cost. Ancillary acquisition costs are accounted for. Appropriate deductions are made for old stock and goods of reduced saleability.

Receivables and other assets are valued pursuant to § 253 (3) German Commercial Code (HGB). Recognizable risks are covered by appropriate allowances. A lump-sum allowance has been formed to cover the general risk of non-payment.

Prepaid expenses consist mainly of rent prepayments, which are retransferred over the corresponding lease periods using the straight-line method.

The acquisition costs for **own shares** were calculated at the weighted average price and, where necessary, written down to the lower of cost or market.

Pension accruals listed in the consolidated balance sheet are calculated according to actuarial principles at going concern values, on the basis of an interest rate of 6% as allowed for by German tax law regulations (§ 6a EStG). The guidelines drawn up in 1998 by Prof. Dr. Klaus Heubeck were applied.

Other accruals cover all recognizable risks and uncertain obligations, insofar as they can be classified as liabilities.

Liabilities were valued at their repayment values.

On the whole, the company used the same **valuation methods** as in the previous year.

2. Principles of foreign currency translation

Receivables and payables in foreign currencies are converted at the exchange rate valid on the day of transaction.

Receivables and payables in foreign currencies whose exchange rate is not secured are valued at the lower buying rate or higher selling rate valid on the balance sheet date.

3. Consolidated group

In addition to Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG as parent company, the following companies were fully consolidated in the consolidated financial statements:

Company	**First-time consolidation**	Shareholding %
ludwigbeck-online GmbH, Munich	27.7.2000	91.5
Ludwig Beck Beteiligungs GmbH, Munich	20.7.2001	100.0
Ludwig Beck Vertriebs GmbH, Munich	10.8.2001	100.0
Ludwig Beck Verwaltungs GmbH, Munich	20.7.2001	50.2
Feldmeier GmbH & Co. Betriebs KG, Munich	1.9.2001	50.1

4. Consolidation principles

Capital was consolidated in accordance with the book value method. The book value of the participations was netted against the consolidated equity capital of the subsidiaries. Capital consolidation was undertaken at the time of acquisition of the subsidiaries.

In the case of Feldmeier GmbH & Co. Betriebs KG, capital consolidation was undertaken at the time of acquisition according to the purchase method of accounting. The object of this second-tier subsidiary is the administration of its own and third party land and land rights.

Land belonging to the company was included at the attributable value. The revaluation was limited, however, to the acquisition cost of the shareholding. The land was valued at T€ 61,355. The building (T€ 3,527) will be depreciated from the moment of the revaluation over a period of 30 years at an amount of T€ 118 p.a. The equity revaluation resulted in an adjustment item for minority interests amounting to T€ 21,079.

There were no credit balances resulting from the first-time consolidation nor from subsequent consolidations.

Minority interests of other shareholders in equity capital and net income were accounted for by the formation of an appropriate position according to their relative shareholding and disclosed under shareholders' equity in the consolidated balance sheet. Withdrawals from the capital accounts of other shareholders (limited partners) reduce their share of shareholders' equity.

There was no need for elimination of unrealized profits resulting from intercompany sales and services.

Intercompany sales and other operating incomes were offset against material expenses and the corresponding other operating expenses. Interest income and expenditures within the group were also netted against each other.

Receivables and liabilities between consolidated companies were netted against each other.

The consolidated companies apply identical disclosure, valuation and accounting principles in their financial statements.

(B) Notes and explanations to items of the balance sheet

(1.) Fixed assets

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Intangible assets	2,281	2,949	2,363	3,209
Tangible assets	10,940	11,354	75,825	11,495
Financial assets	7,138	915	0	0
	20,359	**15,218**	**78,188**	**14,704**

Details as to individual balance sheet items can be seen in the development of fixed assets table.

Activated goodwill included under intangible assets are always amortized pursuant to section 7, paragraph 1, sentence 3 German Income Tax Law (EStG) over a useful lifetime of 15 years.

Accrued goodwill is amortized over the remaining lease period of the locations concerned.

Financial assets are valued at acquisition cost and, where necessary, at the lower of cost or market.

The AG balance sheet includes the following shares in affiliated enterprises:

	Share of equity capital %	Amount of equity capital in T€	Result of the fiscal year in T€
ludwigbeck-online GmbH, Munich	91.50	885	-739
Ludwig Beck Beteiligungs GmbH, Munich	100.00	2,077	-423
Ludwig Beck Vertriebs GmbH, Munich	100.00	450	-50

(2.) Inventories

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Raw materials and supplies	60	84	72	84
Merchandise	9,244	9,104	9,244	9,104
	9,304	**9,188**	**9,316**	**9,188**

(3.) Receivables and other assets

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Trade receivables	1,000	551	1,036	580
Receivable from affiliated companies	45	31	0	0
Other assets	708	707	715	710
	1,753	**1,289**	**1,751**	**1,290**

Other assets include loans due after more than one year amounting to T€ 63 (2000: T€ 84).

(4.) Own shares

On the basis of a resolution adopted by the AGM of May 10, 2001 and pursuant to § 71 (1) No. 8 German Stock Corporation Law (AktG), the company held a total of 238,438 own shares as of December 31, 2001. The main reason for the acquisition of these own shares was to possibly use them as a currency in the acquisition of companies or shareholdings in companies.

As of the balance sheet date these shares were valued at € 12.00. The total value of own shares on the balance sheet date amounted to T€ 2,861 (2000: T€ 2,062). The 238,438 own shares represented T€ 1,193 (= 7.10%) of total share capital.

In fiscal year 2001, the company purchased a total of 79,858 own shares at prices between € 9.50 and € 13.70. The average share price in 2001 amounted to € 10.36. The 79,858 own shares represented T€ 399 (= 2.38%) of total share capital. No sales were made in 2001.

(5.) Prepaid expenses

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Rent prepayments	2,508	2,621	143	2,621
Other allowances	102	92	47	102
	2,610	**2,713**	**190**	**2,723**

(6.) Shareholders' equity

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
As of Jan. 1	18,012	15,328	17,720	15,328
Dividend	- 2,783	- - 2,920	- 2,783	- 2,920
Capital contributions of other shareholders	0	0	85	84
Shareholdings of other shareholders from first-time consolidation	0	00	21,092	0
Reduction in shares of other shareholders	0	0	- 1,013	0
Net income	3,747	5,604	3,824	5,228
	18,976	**18,012**	**38,925**	**17,720**

(7.) Subscribed capital

The subscribed capital of Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft is divided as follows:

3,360,000 no-par shares (ordinary shares).

The no-par shares are bearer shares.

(8.) Revenue reserves

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Statutory reserves	852	703	852	703
Reserves for own shares	2,861	2,062	2,861	2,062
Other revenue reserves	3,950	3,730	4,018	3,385
	7,663	**6,495**	**7,731**	**6,150**

From the net income of the fiscal year Jan. 1 – Dec. 31, 2001, an amount of T€ 149 was transferred to statutory reserves, T€ 799 to reserves for own shares and T€ 221 (Group: T€ 633) to other revenue reserves.

(9.) Unappropriated net income

The unappropriated net income includes a profit carryforward of T€ 138 (2000: T€ 0).

(10.) Accruals

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**31.12.2001**	31.12.2000	**31.12.2001**	31.12.2000
Accruals for pensions and similar obligations	0	0	61	0
Other accruals	869	1,561	1,856	**1,**1,575
	869	**1,561**	**1,917**	**1,575**

Other accruals of Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft include provisions for personnel (T€ 486) and administration (T€ 383).

The Group's accruals also include maintenance obligations amounting to T€ 935.

(11.) Liabilities

a) Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG

in T€	Total	of which due within 1 year	between 1 and 5 years	over 5 years
1. Liabilities to banks	11,715	4,523	5,358	1,834
2. Advances received on customer orders	6	6	0	0
3. Trade liabilities	1,541	1,541	0	0
4. Liabilities to affiliated companies	1,151	1,151	0	0
5. Other liabilities	3,411	3,411	0	0
– of which taxes: T€ 1,450 (2000: T€ 1,369)				
– of which social security: T€ 479 (2000: T€ 473)				
	17,824	**10,632**	**5,358**	**1,834**

b) Group

in T€	Total	of which due within 1 year	between 1 and 5 years	over 5 years
1. Liabilities to banks	47,686	4,523	6,266	36,897
2. Advances received on customer orders	6	6	0	0
3. Trade liabilities	1,541	1,541	0	0
4. Other liabilities	3,491	3,491	0	0
– of which taxes: T€ 1,481 (2000: T€ 1,369)				
– of which social security: T€ 479 (2000: T€ 473)				
	52,724	**9,561**	**6,266**	**36,8977**

Liabilities to banks of Ludwig Beck Beteiligungs GmbH and Feldmeier GmbH & Co. Betriebs KG are secured as follows:

Mortgages	**33,234**
Guaranties of minority shareholders	**2,736**

(C) Notes and explanations to items of the profit and loss account

(12.) Sales revenues

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
	84,370	**86,459**	**84,557**	**86,485**

Sales revenues are explained in more detail in the segment reporting section.

(13.) Personnel expenses

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
Wages and salaries	15,991	15,950	15,991	15,950
Social security	3,075	3,075	3,075	3,075
Pension costs	246	278	249	278
	19,312	**19,303**	**19,315**	**19,303**

(14.) Depreciation

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
Amortization of intangible assets	475	530	498	532
Depreciation of tangible assets:				
– Land, land rights and buildings, including buildings on third-party land	1,682	1,479	1,721	1,479
– Other fixtures and fittings, tools and equipment	781	890	805	909
	2,938	**2,899**	**3,024**	**2,920**

(15.) Financial result

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
Other interest and similar income	29	11	753	11
Interest income of affiliated companies	65	0	0	0
Depreciation of financial assets and marketable securities	- 861	- 53	- 31	- 54
Interest and similar expenditure	- 820	- 824	- 2,055	- 823
Interest expenditure of affiliated companies	- 58	- 12	0	0
	- 1,645	**- 878**	**- 1,333**	**- 866**

There was a write-down of T€ 830 on the shareholding of Ludwig Beck AG in ludwigbeck-online GmbH.

(16.) Minority interests

The following proportion of earnings is attributable to minority interests:

in T€	**2001**	2000
ludwigbeck-online GmbH, Munich	**- 63**	- 32
Feldmeier GmbH & Co. Betriebs KG	**- 271**	0
Ludwig Beck Verwaltungs GmbH	**- 1**	0
	- 335	**- 32**

(17.) Transfers to revenue reserves

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
Transfers to statutory reserves	149	280	149	280
Transfers to reserves for own shares	799	2,062	799	2,062
Transfers to other revenue reserves	221	342	633	0
	1,169	**2,684**	**1,581**	**2,342**

(D) Segment reporting

The business segments of the Ludwig Beck Group are shared between the various companies as follows:

• Ludwig Beck AG	Physical retail outlets under the Ludwig Beck brand (incl. general mail order)
• ludwigbeck-online GmbH	Music division (mail order and e-commerce)
• Ludwig Beck Vertriebs GmbH	Physical retail outlets under third-party brands (franchise activities)
• Ludwig Beck Beteiligungs GmbH	Shareholding in Feldmeier GmbH & Co. Betriebs KG (administration and leasing of own and third-party real estate)

The sales and earnings of these segments were divided as follows:

in T€	Ludwig Beck	Music	Franchise	Real estate	Reconciliation	Group
Sales revenues (net)	**84,370**	**361**	**0**	**1,633**		**0**
Inter-segment sales	- 235	0	0	- 1,572		0
Non-Group sales	84,135	361	0	61		84,557
Segment earnings (EBIT)	**5,392**	**- 793**	**- 54**	**642**		**5,187**
Interest income	94	54	4	8		160
Interest expenditure	- 878	0	0	- 1,293		- 2,171
Financial result	- 784	54	4	- 1,285	678	- 1,333
Other taxes	0	0	0	30		- 30
Net income/loss	**4,608**	**- 739**	**- 50**	**- 673**	**678**	**3,824**
Depreciation included in segment result	**2,938**	**47**	**0**	**39**		**3,024**

(E) Other details

Guaranties and other financial commitments

The following guaranty liabilities are listed pursuant to § 251 and § 268 (7) HGB:

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**2001**	2000	**2001**	2000
Guaranties				
Liabilities due to guaranties, bill and cheque guaranties	**4,642**	**817**	**552**	**817**
– of which for affiliated companies:	4,090	0	0	0

Ludwig Beck AG accepted a guaranty for Ludwig Beck Beteiligungs GmbH amounting to T€ 4,090.

Furthermore, as part of the dissolution process for one of the company's stores, the company accepted a guaranty for rent payments to its former landlord by the following tenant. The guaranty is limited to 90% of the respective monthly rent (poss. plus other claims, e.g. ancillary costs) and expires on Dec. 31, 2004. The guaranty was secured by a counter guaranty granted by the parent company of the following tenant.

Other financial commitments of Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft and the Group are divided as follows:

	Ludwig Beck AG		Ludwig Beck Group	
in T€	**annual**	total	**annual**	total
Other financial commitments				
Lease commitments	**8,339**	**164,089**	**5,602**	**82,636**
– of which to affiliated companies:	4,816	132,336	0	0
Leasing commitments	**645**	**2,392**	**645**	**2,392**

Notifications pursuant to § 21 (1) of the German Securities Trading Act (WpHG)

In accordance with § 21 (1) WpHG, there is a notification that the voting rights of one shareholder have exceeded the 10% threshold.

Executive bodies/ Remuneration of the Executive and Supervisory Board members

Executive Board :

Reiner Unkel (Chairman)

Dieter Münch

Total remuneration of the Executive Board of Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft in the year under review amounted to T€ 750 (variable portion: T€ 157). As of December 31, 2001, the members of the Executive Board held 36,015 no-par shares.

Supervisory Board:

Dr. Joachim Hausser, Munich, Chairman

Dr. Eva Annett Grigoleit, Berlin, Deputy Chairperson

Dr. Ulla Ertelt, Frankfurt

Edgar Rosenberger, Hamburg

Annemarie Geißler, Munich*)

Gabriele Keitel, Munich*)

Total net remuneration of the Supervisory Board in fiscal 2001 amounted to T€ 106 (incl. D&O insurance T€ 16).

As of December 31, 2001, members of the Supervisory Board held 1,998 no-par shares.

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

*) Worker representatives

Herr Reiner Unkel:

Advisory Council:	Henschel & Ropertz GmbH & Co. KG, Darmstadt CJ. Schmidt GmbH & Co. KG, Husum

Dr. Joachim Hausser:

Supervisory Board:	Philipp Morris GmbH, Munich STRABAG Hoch- und Ingenieurbau AG, Cologne
Advisory Council:	GETRAG Getriebe- und Zahnradfabrik Hermann Hagemeyer GmbH & Co., Ludwigsburg Klöpfer & Königer GmbH & Co. KG, Munich MRF Michael Rosenthal GmbH, Munich
Administrative Council:	Kühne & Nagel Intern. AG, Schindellegi

Edgar Rosenberger:

Supervisory Board:	ESCADA AG, Munich
Advisory Council:	Gunther Lambert GmbH, Mönchengladbach

Dr. Ulla Ertelt:

Advisory Council:	Henschel & Ropertz GmbH & Co. KG, Darmstadt

Personnel

During fiscal 2001 Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft employed an average of 626 people, of which 226 were part-time employees and 107 temporary staff. Apprentices are not included in these figures.

There were no employees at other companies belonging to the Ludwig Beck Group.

Proposed appropriation of profit

At the Annual General Meeting of Ludwig Beck am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft the following proposal will be made concerning the appropriation of the company's unappropriated net income of T€ 2,716:

A dividend payment of € 0.87 per no-par share.

(F) Consolidated cash flow statement

in T€	2001	2000
Net income	3,824	5,228
Depreciation	3,024	2,920
Increase/Decrease (+/-) in long-term accruals	- 380	26
Non-cash expenditure/income (+/-)	- 723	0
Cash flow	**5,745**	**8,174**
Decrease/Increase (+/-) in working capital	- 2,330	699
Net cash from operating activities	**3,415**	**8,873**
Proceeds from disposal of fixed assets	376	7
Disbursements for additions to fixed assets	- 2,495	- 3,987
Disbursements for investments in affiliated companies	- 10,354	0
Net cash used in investing activities	**- 12,473**	**- 3,980**
Contributions from minority interests	124	85
Dividend payment	- 2,782	- 2,920
Purchase of own shares	- 830	- 2,115
Increase/Decrease (+/-) in interest-bearing liabilities	12,890	- 167
Net cash from/used in financing activities (+/-)	**9,402**	**- 5,117**
Change in cash and cash equivalents	344	- 224
Cash and cash equivalents at beginning of fiscal year	607	831
Cash and cash equivalents at end of fiscal year	**951**	**607**

Auditor's opinion

We have audited the annual financial statements and accounts of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, and the consolidated financial statements and joint management report for the Company and Group which it prepared for the fiscal year January 1 to December 31, 2001. The preparation and content of these statements in accordance with German company law and the additional requirements of the company's articles are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on these annual financial statements and accounts as well as on the consolidated financial statements and joint management report, on the basis of our audits.

We conducted our audits pursuant to § 317 of the German Commercial Code (Handelsgesetzbuch) in accordance with generally accepted auditing standards established by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements and consolidated financial statements are free of material misstatement and the consolidated and company management report is consistent with the consolidated financial statements. In planning the audit, we also take into consideration knowledge of the business activity, economic and legal environment as well as expectations of possible errors. An audit of the financial statements includes examining the efficacy of the internal controlling system as well as evidence, mainly on a test basis, supporting the amounts and disclosures in the accounts, annual financial statements, consolidated financial statements and joint management report. The audit also includes assessing the accounting, valuation and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements, consolidated financial statements and joint management report. We believe that our audits provide a reasonable basis for our opinion.

Our audits did not give rise to objections.

In our opinion, the financial statements and consolidated statements give a true and fair view of the assets, liabilities, financial position and earnings of the Company and Group with due regard to generally accepted accounting principles. The joint management report presents a true and fair view of the company's position and future risks.

Munich, March 4, 2002

AWT Allgemeine Wirtschaftstreuhand GmbH
Wirtschaftsprüfungsgesellschaft

J. Zimmermann	**A. Bruckner**
Auditor	**Auditor**

Report of the Supervisory Board

During the course of the past financial year, the Supervisory Board was provided with comprehensive and up-to-date information on the company's business development by the Executive Board. The information was presented during five Supervisory Board meetings as well as in numerous oral and written reports. The Executive Board also called upon the Supervisory Board to discuss all fundamental policy questions with them. There were also numerous committee meetings at which, for example, we discussed the purchase and financing of the Marienplatz premises. The Supervisory Board observed its legal and statutory duties and closely monitored the management of the company.

The annual financial statements and the consolidated statements as at December 31, 2001 as well as the management report and consolidated management report were audited by the elected auditing firm AWT Allgemeine Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft, Munich, who issued an unqualified opinion.

The Supervisory Board examined the annual financial statements and the consolidated statements as well as the management report and consolidated management report itself and found no cause for objection. On March 12, 2002 the Supervisory Board adopted the annual statements prepared by the Executive Board and as presented by AWT in their audit report. The annual accounts for 2001 are therefore approved. The Supervisory Board supports the proposal of the Executive Board with regard to the appropriation of profit.

The Executive and Supervisory Boards of Ludwig Beck once again worked in close cooperation during the past year. They informed each other in numerous talks, meetings and phone calls. The purchase of the Marienplatz premises and foundation of Ludwig Beck Vertriebs GmbH to manage the company's future mono-label branch stores were the main subjects of our intensive discussions. The necessary investments were discussed in detail on several occasions, as well as the company's medium and long-term planning. The successful relaunch of the company's eCommerce operations was also accompanied by intensive discussions with the Supervisory Board.

Regular management reports on sales and profits kept the Supervisory Board informed at all times about the company's current business situation.

The Supervisory Board would like to thank all members of the Executive Board and the management team for their excellent work in fiscal year 2001. We would also like to extend our gratitude to all staff for their unfailing dedication to duty during 2001, which was once more a decisive factor for the success of Ludwig Beck.

Supervisory Board
Munich, March 2002

Dr. Joachim Hausser
Chairman of the Supervisory Board

1861 Born on 29th March 1833, the button-maker and haberdasher Ludwig Beck founds the company on 1st May 1861 at the age of 29. He opens a button-making and haberdashery workshop in his father's premises in Landschaftsgasse 1 with four skilled tradesmen and one apprentice as well as a shop in Dienergasse 15 with two sales assistants and an apprentice.

1874 Ludwig Beck buys the buildings Dienergasse 23 and Burggasse 2. He rebuilds and expands his business premises. The site still forms the cornerstone of Beck's Munich premises.

1876 Beck workshops supply gold and silver ornamentation to the royal palaces Linderhof, Neuschwanstein and Herrenchiemsee as well as genuine gold decorations for the royal carriages and sleighs. His Majesty King Ludwig II awards Ludwig Beck »without cost or favour« the title of »Haberdasher to the Royal Bavarian Court«.

1892 Ludwig Beck exhibits and receives honours at the World Trade Fair in Chicago.

The Munich premises are expanded.

1921 On the occasion of the company's 60th anniversary, records show a total workforce of 61 employees.

1938 Franziska Beck sells the business to the textile merchant Gustl Feldmeier, partner in the textile business of Feldmeier S. Feldmeier und Sohn, Zenettistraße. Ludwig Beck employs 158 staff at the time and has an annual turnover of 1.1 million Reichsmarks.

1945 The Munich store is totally destroyed.

1948 “Ludwig Beck am Rathauseck“ and the textile merchants “Feldmeier S. Feldmeier und Sohn“ merge to become the limited partnership “Ludwig Beck am Rathauseck – Textilhaus Feldmeier KG“.

1954 Gustl Feldmeier acquires the neighbouring properties Marienplatz 11 and Burgstraße 11 and expands the business premises.

1971 Opening of the new basement floor with direct connection to the new tram and underground station in the Marienplatz.

1972 A small Beck outlet (100 m^2) is opened in Munich's new Olympic stadium shopping centre.

1974 Ludwig Beck becomes the »Textilissima House« and catches the consumer mood of the 70's and 80's.

1978 Introduction of the company's individual working hours system.

1981 A Beck store (240 m^2) is opened in the “Perlacher Einkaufspassagen“ shopping mall.

1982 The Olympic stadium shop is expanded to 400 m^2.

The company is restructured as “Toni und Peter Feldmeier Besitzverwaltung GbR“ and “Betriebsgesellschaft Ludwig Beck am Rathauseck – Textilhaus Feldmeier GmbH“, owned by 13 of the company's managers (65%) and 5 external partners.

1987 Start of the company's expansion program with the opening of new branches throughout Germany. The first branch is opened in Hamburg.

1989 Beck moves into larger premises (1400 m^2) in the Perlach shopping mall.

1992 Ludwig Beck becomes a public limited company (AG).

1993 Ludwig Beck opens its second-biggest store in Cologne's Schildergasse with a floor space of 5,000 square metres.

1995 The Cologne store is closed.

Participation of an equity fund managed by BC Partners and subsequent increase in share capital.

1996 EA strict consolidation strategy is launched.

1997 The flagship store in Munich's top location, the Marienplatz, is modernized.

1998 Restructuring process successfully completed

May 18 – Initial Public Offering (IPO)

Ludwig Beck ends the year with an annual net income of DM 5.2 million.

1999 First AGM as a listed public limited company in May.

Shareholders receive dividend of DM 1 per share.

December 31 – Ludwig Beck ends the year with the highest net income in the company's history. At DM 11.3 million, it is up more than 100% on the previous year.

2000 The dividend payment rises to DM 1.70 per share.

July 27 – foundation of e-commerce subsidiary ludwig-beck-online GmbH, Munich

November 11 – *www.onlybeck.de* goes online

2001 20.07. Foundation of Ludwig Beck Beteiligungs GmbH

10.08. Foundation of Ludwig Beck Vertriebs GmbH to operate own stores as franchisee of various fashion labels

23.08. Internet shop *www.onlybeck.de* back online after extensive relaunch

05.09. Ludwig Beck secures its presence in Munich's central Marienplatz square. It acquires a 50.1% stake in the flagship store's owner, Feldmeier GmbH & Co. Betriebs KG.

Key figures Ludwig Beck AG

		1997*	1998	1999	2000	2001	Group 2000	Group 2001
Sales (gross)	€ million	99,0	99.2	99.2	100.2	**97.8**	100.3	**98.0**
VAT	€ million	12.9	13.4	13.6	13.7	**13.4**	13.8	**13.5**
Net sales	€ million	86.1	85.8	85.6	86.5	**84.4**	86.5	**84.5**
	%	100.0	100.0	100.0	100.0	**100.0**	100.0	**100.0**
Gross profit	€ million	41.1	41.4	41.4	42.0	**40.4**	42.0	**40.6**
	%	47.7	48.3	48.3	48.6	**47.9**	48.5	**48.0**
EBITDA	€ million	6.2	7.6	9.5	9.4	**8.3**	9.0	**8.2**
	%	7.2	8.9	11.1	10.8	**9.9**	10.4	**9.7**
EBIT	€ million	3.0	4.8	6.6	6.5	**5.4**	6.1	**5.2**
	%	3.5	5.5	7.8	7.5	**6.4**	7.0	**6.1**
Result from ordinary activities	€ million	1.4	3.5	5.8	5.6	**3.7**	5.2	**3.9**
	%	1.6	4.1	6.8	6.5	**4.4**	6.0	**4.5**
Net income	€ million	-1.0	2.7	5.8	5.6	**3.7**	5.2	**3.8**
	%	-1.1	3.1	6.8	6.5	**4.4**	6.0	**4.5**
DVFA/SG-based result	€ million	-0.4	1.5	3.0	2.9	**2.3**	2.7	**2.5**
DVFA/SG-based cash flow	€ million	3.8	5.9	8.3	8.5	**7.1**	8.2	**5.7**
IAS-based result	€ million	–	–	–	–	**–**	2.0	**1.7**
Balance sheet								
Equity	€ million	2.1	11.2	15.3	18.0	**19.0**	17.7	**38.9**
Equity ratio	%	7.6	39.6	52.8	57.7	**50.4**	57.5	**41.6**
Return on equity	%	-45.1	23.6	37.8	31.1	**19.7**	29.5	**9.8**
Capital expenditure	€ million	1.5	4.7	2.8	4.5	**9.3**	4.0	**12.5**
Balance sheet total	€ million	28.2	28.4	29.0	31.2	**37.7**	30.8	**93.6**
Return on invested capital (ROIC)	%	14.9	21.9	30.1	28.3	**18.4**	27.1	**6.2**
Personnel								
Employees	number	727	692	663	665	**626**	665	**626**
Personnel expenses	€ million	19.2	19.0	18.6	19.3	**19.3**	19.3	**19.3**
	%	22.3	22.2	21.7	22.3	**22.9**	22.3	**22.9**
Sales per employee (weighted average)	€	185,590	193,268	202,983	204,517	**209,385**	204,517	**209,931**
Per share								
Number of shares	million	3.36	3.36	3.36	3.31	**3.18**	3.31	**3.18**
DVFA/SG-result	€	0.00	0.46	0.89	0.88	**0.71**	0.83	**0.78**
Net income (loss)	€	-0.29	0.79	1.72	1.69	**1.18**	1.59	**1.20**
Dividend	€	0	0.51	0.87	0.87	**0.87**	0.87	**0.87**
Other details (as of Dec. 31)								
Sales area	m^2	14,800	13,600	13,000	13,000	**14,060**	13,000	**14,060**
Sales per m2	€/m^2	6,700	7,300	7,600	7,700	**7,000**	7,700	**7,000**

*based on 3.36 million shares

Your address for active Investor Relations:
Our investors (current and potential) receive all relevant information during a fiscal year, enabling them to make an informed judgement about the Ludwig Beck share. If you too would like to receive regular information, then simply add your name to our shareholder mailing list by posting this card with your address
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