



Q1 > Report

Report for the first 3 months of 2003

- > **SALES** ... Ongoing economic downturn leads to fall in sales ...
- > **EARNINGS** ... Slight year-on-year decline despite significant cost reductions ...
- > **OUTLOOK** ... Additional package of measures introduced with € 2 million income volume – Positive effect from longer opening hours expected from June onwards

Key Figures > Group

	€ million	Q1 2003	Q1 2002
Gross sales (incl. sales tax)		20.2	21.2
Gross profit ¹		7.6	8.2
EBITDA		0.0	0.3
EBIT		-0.9	-0.6
Net loss acc. to IAS		-1.0	-0.6
Earnings per share IAS/DVFA ² (€)		-0.34	-0.28
Cash flow acc. to DVFA		-0.8	-0.5
Capital expenditures		0.8	1.2
Employees (number, as of 31.03.) ³		485	572
Apprentices (number)		75	87

1) Net sales minus cost of materials 2) Basis 2002: 3.12 million shares; 2003: 3.36 million shares 3) Without apprentices

... > The continued slump in consumer spending resulted in falling sales and earnings of the Ludwig Beck Group in the first quarter of 2003 ... > The Executive Board has reacted by launching a series of measures, which will improve earnings by € 2 million in the current fiscal year ... > Conditions have been established to take full advantage of extended opening hour regulations from June 2003 onwards.

■ > **SALES** In the first quarter of 2003, the Ludwig Beck Group suffered from the continuing weakness of the German economy and had to accept a decline in its sales revenues. Consolidated gross sales amounted to € 20.2 (prior year: 21.2) million (-4.8%). According to the trade journal »TextilWirtschaft«, total sales in the German retail clothing sector fell by an average of 7% in the first three months. It should be noted, however, that the Easter season falls in the second quarter this year. The continuing problems of unemployment and increased social security and indirect tax rates, coupled with discus-

sions about imminent reform of the nation's tax and benefits system, have combined to create widespread uncertainty among consumers in Germany.

Ludwig Beck Vertriebs GmbH, which started operations in late February 2002, generated sales of € 1.4 (0.3) million in the period under review.

The »Beck« branch store in Augsburg, which was opened in September 2001, posted a strong year-on-year increase in sales and has now firmly established itself in its new environment.

The number of employees (excluding apprentices), according to § 267 (5) HGB (German Commercial Code), decreased to 485 (572) as at the end of the first quarter of 2003. The weighted number of full-time employees fell by 12.1% to 397 (452). As of March 31, Ludwig Beck employed 75 (87) apprentices.

■ > **EARNINGS** The decline in revenues resulted in a slight deterioration of ordinary operating profits (EBIT) to € -0.9 (-0.6) million, according to IAS methods. Measures introduced and completed last year in the field of human resources, coupled with further cost saving efforts, have already resulted in considerable cost-side improvements in the first quarter. These savings, however, were not sufficient to fully offset the loss of earnings resulting from reduced sales and price discounts. As a result of fierce price wars in the retail sector – which even Ludwig Beck was unable to escape completely – the company's gross margin fell slightly from 44.6 to 43.8%.

Earnings in the retail sector are generally negative in the first three quarters as fixed costs are spread evenly throughout the year, while sales are strongest in the last two quarters.

As of December 31, 2002, Ludwig Beck adapted its entire accounting system to IAS methods. The company's complete annual accounts as of December 31, 2002 in accordance with IAS have been published on our website (www.ludwig-beck.de).

■ > **CAPITAL EXPENDITURES** In the first quarter of 2003 Ludwig Beck invested a total of € 0.8 (1.2) million. The main focus of investment was the opening of the new »Hautnah« branch in the »5 Höfe« shopping precinct in March 2003.

■ > **OUTLOOK** In consideration of the ongoing economic difficulties in Germany, no improvement in consumer spending is expected before 2004.

Despite the fall in sales in the first quarter, Ludwig Beck is confident that it can keep sales more or less stable for 2003 as a whole – even in such difficult circumstances. Above all, however, the company expects to achieve its most impor-

tant objective of making significant improvements to earnings (EBIT). In order to ensure that this target is reached and possible risks are effectively countered, we have decided to introduce a further package of measures. As well as contributing an additional € 2 million to earnings in the current year, these measures will make our cost structures more flexible and better adapted to current needs.

The company's management team has permanently renounced its right to fixed salary components. The members of the Executive Board have agreed to a 10% reduction in their fixed salary and will waive their total variable compensation for 2003. As a result of the difficult economic circumstances, there will be no wage or salary increases for staff in the current year. The 40-hour week has been re-introduced, without full pay compensation.

With the aid of these cost reduction measures, Ludwig Beck can achieve a significant improvement in earnings of some € 1.4 million in the current fiscal year 2003. Due to new working hour agreements, Ludwig Beck will also be able to fully utilize extended opening hour regulations from June 1 onwards. With its premier city center locations (especially the flagship store in Munich's central Marienplatz square) Ludwig Beck is well positioned to benefit more than average from the extension of shopping hours on Saturdays, from 4 pm to 8 pm. The Munich stores already record their highest hourly takings on Saturdays. The effect of longer shopping hours on earnings is expected to amount to at least € 0.6 million. The total effect of all measures is therefore estimated to total € 2.0 million in fiscal 2003.

Ludwig Beck will continue to combat the current negative trend in German retailing with a combination of high quality, product range expertise and exceptional service. We shall continue to focus on the central need of our target customers: an enjoyable shopping experience.

Munich, May 2003

The Executive Board

Consolidated > profit and loss account

acc. to IASC for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
for the period 01.01. - 31.03.2003

	T€	01.01.-31.03.2003	01.01.-31.03.2002
1. Sales revenues			
– Sales (gross)	20,231	21,246	
– minus sales tax	2,783	17,448	2,918
2. Own work capitalized		16	26
3. Other operating income		476	752
		17,940	19,106
4. Cost of materials	9,802	10,148	
5. Personnel expenses	4,383	4,862	
6. Depreciation	912	906	
7. Other operating expenses	3,699	18,796	3,834
8. EBIT		-856	-644
9. Financial result		-878	-502
– of which financial expenses			
T€ 886 (2002: T€ 822)			
10. Result before taxes		-1,734	-1,146
11. Deferred taxes		-717	-550
12. Net loss		-1,017	-596
13. Minority interests		136	283
14. Net loss after minority interests		-1,153	-879
Earnings per share (undiluted and diluted) in €		-0.34	-0.28
Average number of outstanding shares in thousand (diluted and undiluted)		3,360	3,122

Segment reporting

T€	Retail	eCommerce	Franchise	Real Estate	Reconciliation	Group
Ist quarter 2002 as at 31.03.02						
Non-Group sales	17,932	87	263	46	0	18,328
Segment result (EBIT)	-1,184	-58	-90	688	0	-644
Ist quarter 2003 as at 31.03.03						
Non-Group sales	16,183		1,219	46	0	17,448
Segment result (EBIT)	-1,317		-244	705	0	-856

HGB reconciliation chart

T€	01.01.-31.03.2003	01.01.-31.03.2002
EBIT acc. to IAS	-0.9	-0.6
Fixed assets	-0.1	-0.2
Other assets	0.4	0.0
EBIT acc. to HGB	-0.6	-0.8

Consolidated > Balance Sheet

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
as at 31.03.2003 acc. to IASC

ASSETS	T€	31.03.2003	31.12.2002
A. Current assets			
I. Cash and cash equivalents		753	1,116
II. Receivables and other assets		931	1,775
III. Inventories		13,280	10,473
		14,964	13,364
B. Fixed assets			
I. Tangible assets		92,863	92,676
II. Intangible assets		2,345	2,410
III. Deferred taxes		5,547	4,829
IV. Other assets		206	63
		100,961	99,978
		115,925	113,342

SHAREHOLDERS' EQUITY AND LIABILITIES	T€	31.03.2003	31.12.2002
A. Short-term liabilities			
1. Bank liabilities		14,126	10,238
2. Trade payables		1,693	2,009
3. Accruals		35	35
4. Other liabilities		3,265	3,995
		19,119	16,277
B. Long-term liabilities			
1. Bank liabilities		42,863	42,010
2. Accruals		1,012	1,010
3. Other liabilities		5,157	5,127
4. Deferred taxes		4,652	4,651
		53,684	52,798
C. Minority interests		24,684	24,676
D. Shareholders' equity		18,438	19,591
		115,925	113,342

■ > **NOTES** ... Accounts according to International Financial Reporting Standards (IFRS) ... This quarterly report of the Ludwig Beck AG group of companies as at March 31, 2003 has been prepared according to International Financial Reporting Standards (IFRS, formerly IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC, formerly SIC). ... **Methods of presentation** ... The quarterly accounts are

prepared in accordance with IAS 34 (Interim Financial Reporting). ... **Accounting and valuation methods** ... The quarterly accounts apply the same accounting and valuation methods as used for the consolidated financial statements as at December 31, 2002 ... A full description of these methods is presented in the notes to the consolidated annual financial statements according to IAS (IFRS) as at December 31, 2002.

Consolidated > cash flow statement

acc. to IASC for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
for the period 01.01. – 31.03.2003

€ million	Q1 2003	Q1 2002
Net loss before minority interests, taxes and special items	-1.7	-1.1
Adjustments for:		
+ depreciation of fixed assets	0.9	0.9
- financial income	0.0	-0.3
+ interest expenses	0.9	0.8
Operating result before changes to working capital	0.1	0.3
Increase/decrease (-/+) in short-term assets	-2.1	-3.1
Increase/decrease (+/-) in trade receivables	-1.0	-0.7
Net cash from operating activities (before interest payments)	-3.0	-3.5
Interest paid	-0.9	-0.8
Net cash from operating activities	-3.9	-4.3
Disbursements for additions to fixed assets	-0.8	-1.2
Net cash in investing activities	-0.8	-1.2
Disbursements to minority interests	-0.1	-0.1
Proceeds/disbursements (+/-) from the acceptance/repayment of bank liabilities	4.7	6.9
Balance of proceeds/disbursements from the reduction of other long-term borrowing (financial leasing)	-0.2	-0.1
Net cash from financing activities	4.4	6.7
Change in cash and cash equivalents	-0.3	1.2
Cash and cash equivalents at beginning of period	1.1	1.3
Cash and cash equivalents at end of period	0.8	2.5

Consolidated > equity statement

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
for the period 01.01.2002-31.03.2002 and 01.01.2003-31.03.2003

T€	Share capital	Capital reserves	Generated Capital	Total
Balance as at 01.01.2002	7,981	7	12,323	20,311
Net loss			-879	-879
Balance as at 31.03.2002	7,981	7	11,444	19,432
Balance as at 01.01.2003	8,590	7	10,994	19,591
Net loss			-1,153	-1,153
Balance as at 31.03.2003	8,590	7	9,841	18,438