

> **SALES** ... Sales up on previous year ... > **EARNINGS** ...
Improved EBIT ... > **OUTLOOK** ... Strict cost management
and rising sales expected to produce significant improvement
in earnings.



**>>REPORT
FOR THE FIRST
3 MONTHS OF
2004**

> > In the first quarter of 2004 Ludwig Beck succeeded in uncoupling itself from the development of the sector as a whole. Although consumer spending remains flat and no upturn is expected before the second half of the year, Ludwig Beck has been able to stimulate demand through its own activities. The company's stores in the newly opened »Riem Arcaden« shopping center got off to a successful start. EBIT and gross margin were both improved.

KEY FIGURES – GROUP

€ million	01.01.-31.03.2004	01.01.-31.03.2003
Gross sales (incl. sales tax)	21.7	20.2
Gross profit¹	8.3	7.6
EBITDA	0.3	0.0
EBIT	-0.6	-0.9
Net loss	-0.9	-1.0
Earnings per share (in €)²	-0.30	-0.34
Capital expenditures	1.4	0.8
Employees (number, as of 31.03.)³	569	485
Apprentices (number)	58	75

1) Net sales – cost of materials 2) Basis 2002 and 2003: 3.36 million shares 3) Without apprentices

■ > **SALES** ... In the first quarter of 2004, the Ludwig Beck Group achieved a turnaround in sales revenues. Consolidated gross sales amounted to € 21.7 (prior year: 20.2) million, representing a year-on-year increase of 7.1%.

Ludwig Beck thus succeeded in uncoupling itself from the sector as a whole, which is still suffering from weak demand. According to the trade journal »TextilWirtschaft«, total sales in the German retail clothing sector fell by an average of 4% in the first three months.

Group subsidiary Ludwig Beck Vertriebs GmbH expanded its chain of retail outlets according to plan. On March 10, two additional stores (Gerry Weber and Tommy Hilfiger) were opened in the new »Riem Arcaden« shopping center. Ludwig Beck Vertriebs GmbH generated sales of € 2.1 (prior year 1.4) million in the period under review.

Ludwig Beck AG also opened a new 1,000-m² store in the »Riem Arcaden« and has thus extended its reach in Munich's eastern suburbs. The new shopping center in the direct vicinity of the »Riem Trade Fair Town« will serve 15,000 future inhabitants, over 20,000 employees and millions of trade fair visitors. The new town will host the National Garden Festival in 2005 and has been chosen as the venue for the World Cup international press center in 2006 with over 20,000 journalists.

■ > **EMPLOYEES** ... The number of employees (excluding apprentices), according to § 267 (5) HGB (German Commercial Code), rose to 569 (485) as at the end of the first quarter. The weighted number of full-time employees grew by 9.8% to 436 (397). The increase in staff resulted from the opening of new stores during the last 12 months. As of March 31, Ludwig Beck employed 58 (75) apprentices.

■ > **EARNINGS** ... There was an improvement in ordinary operating profits (EBIT) to € -0.6 (prior year -0.9) million. Gross margin grew to 44.6 (prior year 43.8) %. The company's cost ratio (costs as a percentage of the corresponding income) also improved to 48.0 (prior year 48.7) %. These two developments helped raise the EBIT margin by 1.5%.

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.

■ > **CAPITAL EXPENDITURES** ... In the first quarter of 2004 Ludwig Beck invested a total of € 1.4 (prior year 0.8) million. The main focus of investment (€ 0.8 million) was the opening of the new outlets in the »Riem Arcaden« shopping center.

■ > **OUTLOOK** ... Considering the very tentative upturn in the German economy at present, no significant improvement in consumer spending is expected before the second half of 2004.

Despite adverse conditions, however, Ludwig Beck is cautiously optimistic and expects to boost demand through its own efforts. With its wide variety of assortment concepts and its traditional strengths, Ludwig Beck continues to meet the most important needs of its customers. High product quality, further improvements to service and a more emotional appeal are expected to help attract and retain customers. The company will continue to focus on target-group guided marketing and carefully tailored placement and presentation of its product ranges. At its flagship Marienplatz store (the »Store of the Senses«) the company plans to enhance this concept with group-wide events, as well as targeted »value-for-money« campaigns.

Ludwig Beck will continue to focus on achieving significant improvements in earnings (EBIT). In order to secure this objective, we will introduce a package of measures totaling € 1 million and continue to implement our strict cost management program. The various personnel-related cost reductions of 2003 will continue to impact results in 2004. Closer cooperation with our suppliers and improved steering possibilities offered by our new material management system (due to start in July) are expected to result in further increases in gross margin.

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 – rather than participating in the discount wars still being waged by other department stores.

Munich, May 2004

The Executive Board

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
for the period 01.01.-31.03.2004 acc. to IASB

€k	01.01.-31.03.2004	01.01.-31.03.2003	
1. Sales revenues			
– sales (gross)	21,661	20,231	
– minus sales tax	2,981	18,680	2,783
2. Own work capitalized	5		16
3. Other operating income	671		476
	19,356		17,940
4. Cost of materials	10,349		9,802
5. Personnel expenses	4,642		4,383
6. Depreciation	949		912
7. Other operating expenses	4,048	19,988	3,699
8. EBIT	-632		-856
9. Financial result	-882		-878
– of which financing expenses € 882k (prior year € 886k)			
10. EBT	-1,514		-1,734
11. Deferred taxes	-637		-717
12. Net loss	-877		-1,017
13. Minority interests	131		136
14. NET LOSS AFTER MINORITY INTERESTS	-1,008		-1,153
Earnings per share (undiluted and diluted) in €	-0.30		-0.34
Average number of outstanding shares in thousand (diluted and undiluted)	3,360		3,360

SEGMENT REPORTING

€k	Retail	Franchise	Reconciliation	Group
First quarter of 2003 as of 31.03.03				
Non-Group sales	16,229	1,219	0	17,448
Segment result (EBIT)	-612	-244	0	-856
First quarter of 2004 as of 31.03.04				
Non-Group sales	16,904	1,776	0	18,680
Segment result (EBIT)	-414	-218	0	-632

CONSOLIDATED BALANCE SHEET

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
as at 30.03.2004 acc. to IASB

Assets in € million

	31.03.2004	31.12.2003
A. SHORT-TERM ASSETS		
I. Cash and cash equivalents	0.8	1.1
II. Receivables and other assets	1.3	1.5
III. Inventories	13.8	10.0
	15.9	12.6
B. LONG-TERM ASSETS		
I. Property, plant and equipment	92.9	92.2
II. Intangible assets	2.2	2.3
III. Deferred taxes	6.1	5.5
IV. Other assets	0.2	0.2
	101.4	100.2
	117.2	112.8

Shareholders' Equity and Liabilities in € million

	31.03.2004	31.12.2003
A. SHORT-TERM LIABILITIES		
I. Liabilities to banks	20.2	13.7
II. Trade liabilities	1.7	1.4
III. Other liabilities	3.2	4.0
	25.1	19.1
B. LONG-TERM LIABILITIES		
I. Liabilities to banks	40.5	40.9
II. Accruals	1.0	1.0
III. Other liabilities	4.4	4.6
IV. Deferred tax liabilities	4.6	4.6
	50.4	51.0
C. MINORITY INTERESTS	24.6	24.6
D. SHAREHOLDERS' EQUITY	17.1	18.1
	117.2	112.8

■ > **NOTES** ... Accounts according to International Financial Reporting Standards (IFRS) ... This quarterly report of the Ludwig Beck AG group of companies as at March 31, 2004 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 annual financial statements as at December 31, 2003. A full description of these methods is presented in the notes to the consolidated annual financial statements according to IFRS/IAS as at December 31, 2003.

CONSOLIDATED CASH FLOW STATEMENT

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich
for the period 01.01.-31.03.2004 acc. to IASB

€ million	01.01.- 31.03.2004	01.01.- 31.03.2003
Cash flow from operating activities:		
Net loss before minority interests, taxes and special items	-1.5	-1.7
Adjustments for:		
+ Depreciation of fixed assets	0.9	0.9
+ Interest expenses	0.9	0.9
Operating result before changes to net working capital	0.3	0.1
Increase/decrease (-/+) in assets	-3.6	-2.1
Increase/decrease (+/-) in liabilities	-0.5	-1.0
Net cash from operating activities (before interest payments)	-3.8	-3.0
Interest paid	-0.9	-0.9
NET CASH FROM OPERATING ACTIVITIES	-4.7	-3.9
Disbursements for additions to fixed assets	-1.4	-0.8
NET CASH USED IN INVESTING ACTIVITIES	-1.4	-0.8
Disbursements to minority interests	-0.1	-0.1
Proceeds/disbursements (+/-) from the acceptance/repayment of bank liabilities	6.1	4.7
Balance of proceeds/disbursements from the reduction of other long-term borrowing (finance leases)	-0.2	-0.2
NET CASH FROM FINANCING ACTIVITIES	5.8	4.4
Change in cash and cash equivalents	-0.3	-0.3
Cash and cash equivalents at beginning of period	1.1	1.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	0.8	0.8

CONSOLIDATED EQUITY STATEMENT

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich

€k	Share capital	Capital reserves	Generated capital	Total
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
Balance as at 01.01.2004	8,590	7	9,527	18,124
Net loss			-1,008	-1,008
BALANCE AS AT 31.03.2004	8,590	7	8,519	17,116