

- > **SALES ...** Growth in like-for-like revenues ...
- > **EARNINGS ...** Improved EBIT result ...
- > **OUTLOOK ...** Increased sales despite adverse retail climate
  - start of flagship store's Christmas House



## »» **REPORT FOR THE FIRST 9 MONTHS OF 2004**

## KEY FIGURES – GROUP

€ million

	01.01.–30.09.2004	01.01.–30.09.2003
Gross sales (incl. sales tax)	67.9	62.3
Gross profit <sup>1</sup>	26.9	24.2
EBITDA	2.1	1.6
EBIT	-0.7	-1.1
Net loss	-2.1	-2.2
Earnings per share (in €) <sup>2</sup>	-0.74	-0.79
Capital expenditures	3.9	2.3
Employees <sup>3</sup>	581	544
Apprentices (number)	66	75

1) Net sales – cost of materials 2) Basis 2003 and 2004: 3.36 million shares 3) Without apprentices

> > Ludwig Beck succeeded in continuing the positive development of the first half of 2004 and increasing the gap between itself and the retail sector.

Gross margin was up on the prior-year figure.

■ > **SALES** ... With a year-on-year increase of 9.0%, the Ludwig Beck Group achieved gross sales of € 67.9 (prior year: 62.3) million. Like-for-like sales grew by 1.8%.

Ludwig Beck AG generated sales of € 60.9 (57.0) million, representing growth of 6.9%. After adjustment for changes in floor space, sales grew by 2.0%.

On a like-for-like basis, sales of Ludwig Beck Vertriebs GmbH remained at the prior-year level. The opening of new stores, however, helped raise sales by 32.1% to € 6.9 (5.2) million.

According to the trade journal »TextilWirtschaft«, total sales in the German retail clothing sector fell by an average of 4% in the first nine months of 2004.

The encouraging development of sales revenues was helped by a high sales rate for reduced summer goods and above-average demand for our autumn/winter collections. A group-wide campaign in September, in cooperation with

Feinkost Käfer and the LVMH Group, generated high store traffic figures and created the desired added emotional value.

The newly refurbished children's fashion department and re-opened leather goods and accessories department also helped boost sales.

■ > **EMPLOYEES** ... The number of employees (excluding apprentices), according to § 267 (5) HGB (German Commercial Code), rose to 573 (512) as a result of new store openings. The weighted number of full-time employees thus grew by 4.1% to 431 (414). As of September 30, Ludwig Beck employed 66 (75) apprentices.

■ > **EARNINGS** ... Due to the improvement in sales revenues in the first nine months of 2004, gross profit grew by 11.2% from € 24.2 to € 26.9 million. The gross margin improved by 0.8 percentage points to 45.9% (45.1%).

The cost-saving measures launched in Q2 and implemented in Q3 are already taking effect. They also played a role in improving EBIT by € 0.4 to –0.7 (–1.1) million.

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 quarter.

Due to the Group's higher net borrowing rate, the financial result deteriorated slightly by € 0.2 to –2.9 (–2.7) million. As a result of scheduled repayments in 2004 and the coming fiscal year, net borrowing will decline again and reduce the burden on the Group's financial result.

■ > **CAPITAL EXPENDITURES** ... As of September 30, the Group had invested a total of € 3.9 (2.3) million in 2004. Key investments include new store openings in Riem, as well as new fixtures and fittings in the Group's flagship store and expenditure for a new stock control system.

■ > **OUTLOOK** ... Although no significant change in consumer behaviour is forecast for the last quarter of 2004, Ludwig Beck expects to continue its own positive development and looks forward to a successful Christmas season.

High product quality, further improvements to service and a more emotional appeal are expected to help attract and retain customers. The store's Christmas House is well-known throughout the Munich region and beyond, and is expected to generate strong store traffic and positive customer reactions during the Advent period. This year's Christmas House will focus particularly on traditional crafts from Canada.

The Group's overriding objective in the current fiscal year remains the significant improvement of earnings. In combination with increased sales revenues, the measures launched in Q2 aimed at reducing costs and enhancing profitability (with a total volume of € 1 million) are expected to result in a significant improvement in earnings.

As of October 1, Ludwig Beck Vertriebs GmbH transferred two Gerry Weber stores to the Gerry Weber corporation. The reduced brand portfolio is expected to help raise efficiency.

Ludwig Beck will continue to focus on its traditional strengths and core competencies in quality, product range and service. At its flagship Marienplatz store, the company will retain its unique »Store of the Senses« positioning concept. This distinctive and highly credible company positioning is seen as the best possible response to the current adverse retail climate. It represents the basis for securing customer trust and ensuring their continued loyalty. The driving force behind all Ludwig Beck's efforts is its commitment to fulfil customer expectations on a daily basis and to offer an enjoyable shopping experience.

Munich, November 2004

The Executive Board

■ > **NOTES** ... **Accounts according to International Financial Reporting Standards (IFRS)** ... This quarterly report of the Ludwig Beck AG group of companies as at September 30, 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. ... This quarterly report applies the standards IFRS 3 (Business Combinations) and the revised IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) first adopted at the beginning of 2004. ... As a result of the application of these standards, scheduled amortization of good-will ceased as of 01.01.2004. As of September 30, 2004 there was no evidence of any impairment of goodwill. ... As a result of this change, earnings before taxes improved by €127k. ... In accordance with the transitory regulations of IFRS 3, the income statement of the previous year has not been adjusted. ... The report for the first nine months has been audited.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT\*

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich  
for the period 01.01.-30.09.2004 acc. to IASB

€ million	01.01.- 30.09.2004		01.01.- 30.09.2003		01.07.- 30.09.2004		01.07.- 30.09.2003	
1. Sales revenues								
– sales (gross)	67.9		62.3		24.3		21.9	
– minus sales tax	9.4	58.6	8.6	53.7	3.4	21.0	3.0	18.9
2. Other operating income		2.1		1.5		0.6		0.5
		60.7		55.3		21.6		19.4
3. Cost of materials	31.7		29.5		11.6		10.6	
4. Personnel expenses	13.9		13.0		4.6		4.4	
5. Depreciation	2.8		2.8		1.0		0.9	
6. Other operating expenses	12.9	61.3	11.1	56.4	4.2	21.4	3.8	19.8
7. EBIT		-0.7		-1.1		0.2		-0.4
8. Financial result		-2.9		-2.7		-1.0		-0.9
– of which financing expenses € -2.9 (prior year -2.7) million								
9. EBT		-3.6		-3.8		-0.8		-1.3
10. Deferred taxes		-1.5		-1.6		-0.3		-0.5
11. NET LOSS		-2.1		-2.2		-0.4		-0.8
12. Minority interests		0.4		0.4		0.1		0.1
13. NET LOSS AFTER MINORITY INTERESTS		-2.5		-2.7		-0.6		-0.9
Earnings per share (undiluted and diluted) in €		-0.74		-0.79		-0.17		-0.27
Average number of outstanding shares in thousand (diluted and undiluted)		3,360		3,360		3,360		3,360

## SEGMENT REPORTING

€k	Retail	Franchise	Reconciliation	Group
01.01.2003-30.09.2003				
Non-Group sales	49,256	4,484	0	53,740
Segment result (EBIT)	-771	-374	0	-1,145
Quarter 01.07.2003-30.09.2003				
Non-Group sales	17,147	1,746	0	18,893
Segment result (EBIT)	-295	-114	0	-409
01.01.2004-30.09.2004				
Non-Group sales	52,649	5,930	0	58,579
Segment result (EBIT)	-264	-394	0	-658
Quarter 01.07.2004-30.09.2004				
Non-Group sales	18,844	2,108	0	20,952
Segment result (EBIT)	327	-111	0	216

## CONSOLIDATED BALANCE SHEET\*

for Ludwig Bech am Rathauseck – Textilhaus Feldmeier AG, Munich  
as at 30.09.2004 acc. to IASB

Assets in € million		30.09.2004	31.12.2003
<b>A.</b>	<b>SHORT-TERM ASSETS</b>		
I.	Cash and cash equivalents	1.4	1.1
II.	Receivables and other assets	1.6	1.5
III.	Inventories	14.3	10.0
		17.3	12.6
<b>B.</b>	<b>LONG-TERM ASSETS</b>		
I.	Property, plant and equipment	93.4	92.2
II.	Intangible assets	2.2	2.3
III.	Deferred taxes	7.0	5.5
IV.	Other assets	0.2	0.2
		102.8	100.2
		120.0	112.8

Shareholders' Equity and Liabilities in € million		30.09.2004	31.12.2003
<b>A.</b>	<b>SHORT-TERM LIABILITIES</b>		
I.	Liabilities to banks	21.8	13.7
II.	Trade liabilities	2.3	1.4
III.	Other liabilities	4.0	4.0
		28.1	19.1
<b>B.</b>	<b>LONG-TERM LIABILITIES</b>		
I.	Liabilities to banks	41.7	40.9
II.	Accruals	1.0	1.0
III.	Other liabilities	4.4	4.6
IV.	Deferred tax liabilities	4.6	4.6
		51.7	51.0
<b>C.</b>	<b>MINORITY INTERESTS</b>	24.6	24.6
<b>D.</b>	<b>SHAREHOLDERS' EQUITY</b>	15.7	18.1
		120.0	112.8

\* Amounts were calculated exactly and subsequently rounded to the nearest € million.  
All percentage figures given in the text were calculated on the basis of the exact (non-rounded) amounts.

## CONSOLIDATED CASH FLOW STATEMENT

for Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG, Munich  
for the period 01.01.-30.09.2004 acc. to IASB

€ million	01.01.- 30.09.2004	01.01.- 30.09.2003
<b>Cash flow from operating activities:</b>		
Net loss before minority interests, taxes and special items	-3.6	-3.8
Adjustments for:		
+ Depreciation of fixed assets	2.8	2.8
+ Interest expenses	2.9	2.7
Operating result before changes to net working capital	2.1	1.7
Increase/decrease (-/+ ) in assets	-4.4	-2.3
Increase/decrease (+/-) in liabilities	1.1	0.3
Net cash from operating activities (before interest payments)	-1.2	-0.3
Interest paid	-2.9	-2.7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-4.1</b>	<b>-3.0</b>
Disbursements for additions to fixed assets	-3.9	-2.3
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-3.9</b>	<b>-2.3</b>
Disbursements to minority interests	-0.4	-0.4
Proceeds/disbursements (+/-) from the acceptance/repayment of bank liabilities	8.9	6.6
Balance of proceeds/disbursements from the reduction of other long-term borrowing (finance leases)	-0.2	-0.7
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>8.3</b>	<b>5.5</b>
Change in cash and cash equivalents	0.3	0.2
Cash and cash equivalents at beginning of period	1.1	1.1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1.4</b>	<b>1.3</b>

## 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			-2,652	-2,652
<b>BALANCE AS AT 30.09.2003</b>	<b>8,590</b>	<b>7</b>	<b>8,342</b>	<b>16,939</b>
Balance as at 01.01.2004	8,590	7	9,527	18,124
Net loss			-2,470	-2,470
<b>BALANCE AS AT 30.09.2004</b>	<b>8,590</b>	<b>7</b>	<b>7,057</b>	<b>15,654</b>