LUDWIG BECK

Ludwig Beck

[ANNUAL REPORT 2004]

[KEY FIGURES OF THE GROUP]

		2004 (IFRS/IAS)	2003 (IFRS/IAS)	2002 (IFRS/IAS)	2001 (HGB)	2000 (HGB)
Result						
Sales (gross)	€ million	**100.5**	93.1	95.1	98.0	100.3
VAT	€ million	**13.8**	12.8	13.0	13.5	13.8
Net sales	€ million	**86.7**	80.3	82.0	84.5	86.5
	%	**100.0**	100.0	100.0	100.0	100.0
Gross profit	€ million	**40.2**	36.9	37.6	40.6	42.0
	%	**46.4**	45.9	45.8	48.0	48.5
EBITDA	€ million	**7.0**	5.4	6.9	8.2	9.0
	%	**8.1**	6.8	8.3	9.7	10.4
EBIT	€ million	**3.3**	1.9	3.1	5.2	6.1
	%	**3.8**	2.4	3.7	6.1	7.0
Result from ordinary activities	€ million	**-0.7**	-1.7	0.0	3.9	5.2
	%	**-0.8**	-2.1	0.0	4.5	6.0
Net loss (income)	€ million	**-0.2**	-0.9	0.4	3.8	5.2
	%	**-0.3**	-1.1	0.5	4.5	6.0
Result acc. to HGB	€ million	**–**	–	–	1.7	2.0
Balance sheet						
Equity including minority interests	€ million	**41.3**	42.2	44.3	38.9	17.7
Equity ratio including minority interests	%	**36.6**	37.6	39.1	41.6	57.5
Return on equity	%	**-0.6**	-2.2	0.9	9.8	29.5
Capital expenditure	€ million	**4.7**	3.0	6.3	12.5	4.0
Balance sheet total	€ million	**112.6**	112.3	113.3	93.6	30.8
Return on invested capital (ROIC)	%	**3.5**	2.0	3.2	6.2	27.1
Personnel						
Employees	number	**587**	539	563	626	665
Personnel expenses	€ million	**18.7**	17.9	19.2	19.3	19.3
	%	**21.6**	22.3	23.4	22.9	22.3
Sales per employee (weighted average)	€k	**217**	209	196	210	205
Per share						
Number of shares	million	**3.36**	3.36	3.20	3.18	3.31
Consolidated net loss (income) before minority interest	€	**-0.24**	-0.44	0.13	1.20	1.59
Dividend	€	**0.00**	0.00	0.00	0.87	0.87
Other details (as of Dec. 31)						
Sales area	m^2	**21,520**	19,910	17,080	14,010	13,000
Sales per m^2	€/m^2	**4,670**	4,676	5,566	6,980	7,700

STORE OF THE SENSES

LUDWIG BECK

...is one of Germany's leading retail companies

\\ **Sales growth through increased demand at our flagship store and new branch stores: 8%**

\\ **0.5% improvement in gross margin through optimized procurement**

\\ **Results of our quality campaign: greater customer satisfaction and more efficient purchasing**

\\ **Impact of profitability/cost savings package: positive earnings effect of € 1 million**

INTERVIEW

[*REINER UNKEL*]

(46), 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 marketing.*

[*DIETER MÜNCH*]

(50), 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, investor relations and personnel since May 1999.*

TURN AROUND

The expected growth in LUDWIG BECK's sales failed to materialize in fiscal 2004. At the same time, the company has once again posted a loss for the past year. Does this mean that shareholders will have to postpone their hopes of a sustained turnaround for a further year?

[UNKEL] Not at all. Although it might seem that way at first sight. On closer inspection, however, it becomes clear that we definitely turned the corner in fiscal 2004 and that both sales and earnings were well on the way to recovery in the second half of the year. This positive trend will be continued in 2005.

Nevertheless, you still failed to reach your targets in the past year.

[UNKEL] That's perfectly true. We had hoped to achieve more last year. But we can still be satisfied with what we achieved: on a like-for-like basis the Group grew by 2.6%, while unadjusted growth reached as much as 8%. And that in a year in which the retail clothing sector as a whole shrank by 3%, according to the trade journal »TextilWirtschaft«.

[MÜNCH] On the earnings side, we still had to cope with some strong price adjustments. This was a consequence of implementing our »Trading Up« strategy and included, for example, special offers in our Young Fashion department to clear out stock. The department in its existing form has been discontinued, as it failed to meet our growth expectations and no longer fits to our target-group concept.

[UNKEL] Despite these difficulties though, we still succeeded in reducing the loss significantly – from € 0.9 million in 2003 to € 0.2 million for the past fiscal year – and thus created a very solid basis for us to return safely to profitability in 2005.

What makes you so confident?

[MÜNCH] It's easy: we know what we've done, what we've achieved so far – and we know what we still have to work on. The earnings/cost management package launched in early 2004 alone has a positive impact on earnings of € 1 million – and this effect will be effective over a full year for the first time in 2005.

Where will this positive impact come from exactly?

[UNKEL] The package comprises a number of aspects and measures. One key factor is the demand we generate ourselves. In the second half of 2004, for example, our flagship store posted growth in sales of 6% and helped us easily outperform the sector as a whole. We will continue to generate our own growth in 2005.

[MÜNCH] A further important factor was the introduction of a central purchasing department for our flagship store and all branches – including those of our sales subsidiary »Vertriebs GmbH«.

These measures proved insufficient in 2004, though. Were you perhaps a bit too slow in your reaction?

[UNKEL] No, on the contrary, we recognized the signs of change very early on. We have already reduced costs significantly since the beginning of 2003. The current changes are part of a comprehensive reorganization process and a qualitative improvement of our internal structures.

[MÜNCH] We have utilized all available possibilities in achieving this dramatic cost reduction. Of particular importance were the measures which we instigated in cooperation with our employees. These include accepting pay cuts and a return to the 40-hour week.

[UNKEL] We have also signed so-called »depot contracts« with many of our suppliers with the aim of strengthening cooperation with our suppliers. The agreements contain a number of different measures, e.g. increased goods exchange or various marketing activities.

REORGAN-
ISATION

Cost and efficiency improvements are certainly a valid cause for optimism this year. But that surely cannot be enough.

[*UNKEL*] You're right. There are a few more reasons why we're so optimistic. To start with the most important general reason: the price wars are over and our gross margin is rising again. The initiators of these price wars suffered huge losses with their strategy and are now far less aggressive. The end of hostilities means that customers are regaining trust in prices and thus have more confidence to buy.

[*MÜNCH*] Customers are beginning to demand more quality again – albeit at a fair price. This is shown by the strong improvement in our sales revenues. The second half of 2004 went considerably better than the first six months. In contrast to the rest of the retail sector, our Christmas season was also much improved on the previous year: the Group's like-for-like sales in December were up 6.3%.

[*UNKEL*] We're on the right path then, but there's still a lot left to do: our average sales receipt is still too low. And this is where we see another opportunity for the future: in the second half of 2004 we invested in personnel once again by hiring new staff and targeting improved customer service. With an internal quality drive, we aim to build on our greatest strength of all: the quality of LUDWIG BECK's customer service and advice. We have always been a service oasis, in which our customers are always warmly welcomed and competently served. A successful trading up strategy, however, also requires a comprehensive training program to prepare staff for even more demanding customer expectations. This not only raises customer satisfaction, but also our sales efficiency.

This improvement is borne out by a closer look at your figures for last year. In 2003 your flagship Marienplatz store posted a fall in revenues. Now sales are growing strongly again.

[*UNKEL*] Exactly, and that's the most important reason why we're so confident about 2005: our »Trading Up« strategy has been a great success at our Marienplatz store and helped us achieve a strong turnaround in sales. Although growth in the first half of 2004 was still modest at 1.5%, sales were already much stronger than in the first six months of 2003. And the real breakthrough came in the second half of 2004 with a full 6% increase in revenues. Altogether, this meant we achieved a very respectable 4% growth in sales during 2004 and thus continued to create our own demand, ahead of the overall sector development.

[*MÜNCH*] And that's not all we achieved last year. Our new store events have proved both extremely successful and a strong image factor: we started last year with our »France Weeks«, a three-week event in cooperation with Munich's leading delicatessen store and caterer, Feinkost Käfer, which was targeted at »gourmet« clients. This once again reinforced our image as the »Store of the Senses«. Such events also clearly enhance the overall experience of shopping at LUDWIG BECK.

It's always astonishing how you manage to squeeze ever more sales revenues out of the Group's flagship store.

[*UNKEL*] It's certainly always a huge challenge for us. However, our product range never stays the same, it's highly flexible and innovative: we've long been operating an active floor space management system. We carefully strengthen selected segments which are doing better than the average. Our »Trading Up« strategy is designed to systematically enhance our standing in the upper segment. At the same time, we are moving into non-textile areas offering high sales and earnings, such as perfume and wellness or classical and jazz music. And we enjoy a unique status in the Munich region in certain product fields, such as music and haberdashery. We intend to extend our lead in these areas.

[*MÜNCH*] We also fully exploit any potential which is presented to us. Take the new shop opening hours on Saturdays. We are using the opportunity to stay open until 8 p.m. to the full. Thanks to the unique location of our flagship store in the center of Munich, we've been able to raise Saturday takings by a huge 30%. And that's just the start: we believe Saturday is going to be the shopping day of the future. We already generate 25% of our weekly takings at the Marienplatz store on Saturdays.

What exactly is this »Trading Up« strategy you mentioned?

[*UNKEL*] »Trading Up« means moving our product range concepts upmarket and thus offering greater value. Take for example leather goods and accessories: an increase in sales of almost 40% last year bears testimony to our new concept, which we implemented by restructuring the department, offering higher-value brands as well as more fashionable and upmarket ranges. We have thus reached exactly the upper-segment target group we are looking for: these customers base their purchase decisions predominantly on quality, competent advice and fair prices. And we can offer the exact products they are looking for.

TRADING UP

[*MÜNCH*] We're not only systematically applying our »Trading Up« strategy to all our product ranges, but also developing long-term, general perspectives. One major future topic for us is the changing age structure of the population. This will give rise to new needs, which have not been properly addressed so far. In cooperation with our suppliers, we intend to position ourselves clearly in this segment right from the beginning.

Doesn't the boom at your flagship store require a re-evaluation of your growth fields? After all, the Marienplatz store is responsible for 80% of sales.

[*UNKEL*] We always said that our growth strategy was based on two pillars: The focus is on our core business, i.e. over-the-counter sales at our flagship store. This core growth will be supported by expansion via our extensive branch store concept – from multi- to mono-label stores and our fashion warehouse outlets – which we will utilize to generate additional sales and earnings. We have launched a well-balanced concept based on three pillars: growth via our traditional »LUDWIG BECK« branch stores, i.e. our multi-label stores, and sales and earnings growth via our mono-label stores and fashion warehouse outlets, which we use to quickly and profitably market excess stock and special offers.

You had to face a number of setbacks in this second pillar of your business, the branch stores, last year.

[*UNKEL*] Yes, that's right. Not everything went according to plan. After completing the expansion phase, we are now at the second stage of our strategy, i.e. the optimization and consolidation phase.

[*MÜNCH*] Our extensive portfolio of stores has even given rise to a number of useful reciprocal effects. For example, we were able to successfully convert our »LUDWIG BECK« store in the Olympic Shopping Center into an »Esprit« store.

Does it make any sense to stay in the mono-label business via your LUDWIG BECK Vertriebs GmbH subsidiary? You had hoped to reach break-even as early as fiscal 2004.

[*MÜNCH*] Of course it makes sense. Our subsidiary LUDWIG BECK Vertriebs GmbH contributed sales revenues of € 9.6 (prior-year: 7.8) million last year. Next year, the company will break even. By the way, the loss in fiscal 2004 was much lower than in the previous year – from € 0.4 to € 0.2 million.

How did the two newly opened fashion warehouse outlets in Baden-Württemberg perform?

[*MÜNCH*] Unfortunately, we clearly misinterpreted the demand situation for these stores. The location is seen by consumers as a local shopping center for buying desperately needed trousers, for example, and not as a destination one travels to for finding bargains. That's why we have decided to close these two locations.

What's the outlook for 2005 in general?

[*UNKEL*] The new year got off to a good start. We are confident that we can reach our targets this year. 2005 will be dedicated to our doctrine of profit orientation, cost awareness and earnings growth. It will also mark the end of a chapter for us: the past fiscal years were not only hard for our shareholders, but also for our employees. Everyone has had to make sacrifices. It's simply more fun to work for a company which makes profits. With our return to profitability, we expect a further impetus for our whole business.

[*MÜNCH*] To be precise, we expect a further significant increase in consolidated sales in fiscal 2005 with strongly positive earnings. Should consumer spending also improve in Germany, this will have an even more positive impact on earnings.

What does that mean for the share price?

[*MÜNCH*] Well, it should have a positive effect, of course. The share price should have already reached its lowest point now. After all, our share not only boasts a strong fundamental value through retained earnings, a sound equity ratio of 36.6% and our own real estate in Munich's top location, the Marienplatz, but also promises future dividends as earnings rise again.

Mr Unkel, Mr Münch, thank you for the interview.

STRATEGY

»TRADING UP« FOR MORE GROWTH AND PROFITABILITY

With its »Store of the Senses« strategy, LUDWIG BECK AG has established itself as one of Germany's most innovative retail companies. Its focused marketing and target-group strategy coupled with the unique central Munich location of its flagship store have made LUDWIG BECK one of the sector's most successful companies. The combination of its »Trading Up« strategy and well-balanced branch store concept enables LUDWIG BECK to fully utilize the most attractive growth and earnings potential offered by the market.

LUDWIG BECK's corporate strategy is based on two pillars, with which it is represented on all fast-growing and profitable segments of the retail trade:

- …the expansion of its traditional multi-label core business at its flagship store in central Munich,
- …and additional growth in sales and earnings from its branch store concept, i.e. the three »LUDWIG BECK« branches, the mono-label stores and the fashion warehouse outlets.

FLAGSHIP STORE
EXPAND LEADING POSITION IN UPMARKET SEGMENT

The main pillar of our corporate strategy is the company's core business at its flagship store located in Munich's central square, the Marienplatz. With the aid of careful investments, efficient floor space management and systematic expansion, LUDWIG BECK's flagship store has been successful for many years. By combining the strengths of a department store with those of a specialist retailer and successfully implementing its »Store of the Senses« philosophy, LUDWIG BECK's flagship store has gained a unique market position and is known well beyond Munich's city limits. The store's leading position in the upper segment is now being further enhanced by its »Trading Up« strategy.

+ FOCUS ON UPPER SEGMENT]

LUDWIG BECK's most important target group has always been the middle to upper segment. We communicate through our brands and product ranges and give our customers a sense of security with regard to quality and price: they have the feeling that they have bought the right product, with the right level of quality at a fair price. The skilled advice our assistants provide protects them from making expensive mistakes, gives them orientation and strengthens their belief of having made the right purchase decision. Our regular product range innovations provide new ideas, while reacting to fashion trends and strengthening the unique positioning of LUDWIG BECK AG.

The main focus of our product range is fashion and textiles. Our clothing ranges for ladies, men and children are tailored to specific target groups. They are always targeted at upper segment customers with a strong interest in fashionable, branded clothing. Our chief area of focus in the menswear department is the Modern Man category, and in particular the casual clothing segment. We avoid lower-priced goods and concentrate on the middle and upper segments.

Customers can find all major fashion labels at LUDWIG BECK stores. In the case of extensive fashion label ranges, we concentrate on those categories most relevant to our target groups – and ignore the rest. We present the selected collections in their own topic areas (colors, patterns, shapes) and lifestyle worlds.

+ MARKET LEADER IN NUMEROUS CATEGORIES]

We are market leader in several product categories. Our hosiery department, for example, offers customers Germany's widest selection of stockings – with everything from fishnet tights to support stockings. Our traditional button and haberdashery department continues the legacy of our founder Ludwig Beck: it is not only unique in Munich, but is unrivalled throughout the whole of Europe.

+ »TRADING UP« STRATEGY AIMED AT UPGRADING AND EXTENDING RANGES]

By carefully adjusting product ranges and systematically optimizing the utilization of floor space, LUDWIG BECK's »Trading Up« strategy has targeted the store's fastest growing categories. The key elements of this strategy include creative and varied product range concepts, targeted marketing, high product quality, further improvements to service and the right emotional appeal. At the center of all activities is our commitment to meeting the customer's desire for an enjoyable shopping experience with top-quality product ranges.

Our success so far speaks for itself:

- After focusing on our outsize fashion range we succeeded in growing sales in this category by some 17%.
- There was even stronger growth for our range of ladies' accessories. Since expanding the range in September 2004 with the addition of high-quality leather goods, sales have grown by almost 35%.
- Our combination fashion and trousers range, which already generated growth of approx. 20% in 2004, will be greatly expanded in 2005.

»Trading Up« is also at the heart of all our floor space expansion activities. We are systematically rounding out our ranges by adding individual, top-quality brands and tailoring our ranges to specific target groups.

+ TARGETED EXPANSION OF FAST-GROWING, PREMIUM PRODUCT RANGES]

In addition to our most important sales lines – fashion and clothing – we offer a wide variety of LUDWIG BECK-specific ranges, such as classical and jazz records, cosmetics and wellness, haberdashery and gifts.

One example of this, is the success of our »Hautnah« cosmetics department, which has been regularly posting double-digit annual growth rates since its launch. LUDWIG BECK has positioned itself clearly above the low-priced, mass-manufactured perfumes typically found in department stores: customers are still willing to pay higher prices for exceptional quality and exclusivity. LUDWIG BECK's range of international premium cosmetics and perfumes is unique in Germany. Most products are purchased from the USA, Great Britain and Italy, where they are prepared according to traditional recipes – often more than 100 years old – using only natural ingredients. The diversity of international brands presented in our »Hautnah« department is unrivaled in Europe. It is no surprise, therefore, that most of our customers are also highly cosmopolitan. Many of the products we offer are cult labels in their respective countries. Once again, our »Hautnah/Wellness« department grew by an impressive 19% last year to reach sales of € 7.1 million on the same floor space.

In order to exploit the success of our »Hautnah« department and secure our strong position on the Munich market, LUDWIG BECK opened a separate store in March 2003 in the newly developed, high-class »Fünf Höfe« shopping arcade in central Munich. The successful »Hautnah« concept is presented in 160 m^2 of shop space and features mainly products not sold at our flagship store. With growth of over 30%, this branch store is also one of the top performers in our sales statistics.

+ IMAGE-BUILDING STORE EVENTS ATTRACT AND BIND UPMARKET CUSTOMERS]

Our »Store of the Senses« concept and »Trading Up« strategy are supported by numerous store events, such as markets, fashion shows, exhibitions, readings and music performances.

As part of its overall image campaign, LUDWIG BECK regularly celebrates a particular topic at its flagship store in Munich. We started last year with the spring topic »France, as it lives and loves« – a culinary and cultural experience which LUDWIG BECK presented on all floors of its flagship store in cooperation with the caterer »Feinkost Käfer«. This was followed in April by the successful value-for-money campaign »As green as it gets«. For its fall topic »Servus Munich« in September, LUDWIG BECK worked together with »Feinkost Käfer« and the LVMH Group for three weeks in September to offer gourmet products – otherwise not sold at the store – and luxury articles. The successful event series was rounded off by the flagship store's traditional »Christmas house«. This event, where artisans from around the world display their skills and products, is already famous well beyond Munich's boundaries. Last year's special feature was traditional handicraft from Canada.

These successful events not only boosted store traffic but were also extremely well received by our customers. In 2005, we plan to continue these activities in order to generate additional sales and earnings and strengthen our position in the upper segment.

The next steps: shopping in a Grand Hotel environment

At its central Munich flagship store, LUDWIG BECK will continue to focus on its traditional strengths: superior quality coupled with tremendous product range and service expertise. We will target those segments which perform better than the average and continue our successful »Trading Up« strategy.

The next major steps have already been decided: we will completely restructure and upgrade our ground floor from 2006 onwards. This major revamp will completely change the feel of our sales areas on the ground floor. Similar to the lobby of a grand hotel, these areas will reflect everything that LUDWIG BECK has to offer. The measures will significantly enhance and extend our position in the upper retail segment.

BRANCH STORE CONCEPT

SYSTEMS AND BRANDS IN MEDIUM SEGMENT RUNNING WELL

»LUDWIG BECK«-branch stores: mid-range, lifestyle-oriented, local store concept

One central element of our branch store strategy are the long established offshoots of our main store operating under the »LUDWIG BECK Fashionstore« label. Launched in 2001, the »LUDWIG BECK« store concept is aimed at tapping the purchasing power of Munich's suburban regions and thus generating greater sales potential.

+ CONCEPT: FOCUS ON MODERATELY PRICED FASHIONS]

The »LUDWIG BECK« store concept is tailored to branches with a floor space of 1,000 to 1,500 m^2. The product ranges are aimed at women seeking fashionable clothing in the medium price range. This target group often shops at modern shopping centers – the preferred location for our »LUDWIG BECK« stores. The product range consists of well-known, leading fashion labels but – as always with LUDWIG BECK – also offers something special: LUDWIG BECK is more individual and more creative. LUDWIG BECK presents variations, alternatives, cross-benefits. Customers can combine brands and lifestyles themselves. LUDWIG BECK offers self-actualization at moderate prices.

+ LOCATIONS: EXPANSION IN MUNICH'S EAST]

In March 2004 we opened a new 1,000-m^2 store in the shopping center of Munich's trade fair district (»Riem Arcaden«). This has extended our reach to include the catchment area of 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 in future, thousands of visitors to trade fairs and major events. The new town will host the National Garden Festival in 2005 and has been chosen as the venue for the World Cup international media center in 2006 with over 20,000 journalists.

Mono-label stores: vertical expansion

The second element of our branch store strategy is the operation by LUDWIG BECK Vertriebs GmbH of mono-label stores featuring well-known brands. These so-called franchise systems are still one of the key growth segments in clothes retailing in Germany.

Successful systems and brands, such as Esprit, Tommy Hilfiger or s.Oliver, which focus on the mid-price segment, have gained considerable market share in the past few years. A common factor of all these systems is their fast and highly sophisticated logistic operations, which enable them to supply six to twelve programs per year. »Conventional« retailers generally manage just two to four programs or collections.

LUDWIG BECK is exploiting the sales and earnings potential offered by this vertical sales channel through its subsidiary LUDWIG BECK Vertriebs GmbH. By participating in this segment, LUDWIG BECK can draw on its tremendous expertise in purchasing, product range management and service to generate additional sales and earnings potential.

+ CONCEPT: FRANCHISE POWERED BY LUDWIG BECK]

In order to benefit from the growth opportunities offered by vertical sales channels (production and retailing of a single brand), LUDWIG BECK AG founded a 100% sales subsidiary, LUDWIG BECK Vertriebs GmbH, in fall 2001. By forming strategic alliances, the new subsidiary operates its own shops as a franchisee of well-known brands, such as s.Oliver, Tommy Hilfiger, Bestseller and Esprit. The vertical sales channel complements our existing and highly successful multi-label business by providing additional sales and earnings.

The opening of a new Tommy Hilfiger store in the »Riem Arcaden« shopping center marked the scheduled completion of our new opening phase. At the end of this first phase we carefully examined our brand portfolio and the success of our various mono-label store locations.

One result: the clientele for Gerry Weber's »New Classic Woman« range did not fit to our brand portfolio, which targets mainly younger consumers via brands such as Tommy Hilfiger (young and sporty), Esprit and s.Oliver (»Modern Woman«) and Bestseller (young and fashion-oriented). As of October 1, we therefore transferred our two Gerry Weber stores in Kempten and Munich-Riem to the Gerry Weber group, which integrated them into its own mono-label sales network. Furthermore, one store in central Regensburg has been changed from Bestseller to Tommy Hilfiger. The result was an increase in sales in high double figures. Due to the general difficulty of the location, however, LUDWIG BECK will close the store as of May 31, 2006.

With eight stores and four labels, LUDWIG BECK can fully capitalize on the benefits of this vertical sales channel with the aid of its own product range expertise. Nevertheless, we will continue to critically assess our store and brand portfolio on a regular basis.

Fashion warehouse outlets: marketing excess stock quickly and profitably

With the opening in late June 2002 of a »Fashion Warehouse Outlet« in Munich-Parsdorf, LUDWIG BECK AG succeeded in creating an additional sales channel for its business. The outlets allow the company to market excess stock and attractive special offers more directly, quickly and profitably to a completely different target group than LUDWIG BECK's traditional customers. The fashion outlets offer only clothing of various manufacturers for ladies, men and children – from outer garments to underwear – which can be bought at attractive prices. This new target group is extremely price sensitive, tends to avoid shopping in downtown locations and is drawn to good quality products at attractive prices. There is also a higher-than-average proportion of male shoppers – around 33%, compared with 10% at our Marienplatz store.

The warehouse outlet segment already generated such a high level of sales and earnings after a short period that expansion to other sites was considered. Two further stores were opened in Kuchen and Hechingen (Baden-Württemberg) in October and November 2003. It turned out, however, that we had misjudged the demand situation. The locations were mainly regarded as local shopping possibilities and not as bargain markets. We therefore decided in early 2005 to withdraw from these two locations.

We will focus our fashion warehouse activities at our Parsdorf outlet in future. Located attractively next to similar outlets of »Feinkost Käfer« and »Möbelhaus Segmüller«, the store will continue to make a considerable contribution to Group sales and earnings in the coming years.

STORE OF THE SENSES

SHOPPING AS LIFESTYLE EXPERIENCE

> LUDWIG BECK is never boring! We continually provide good reasons for customers to drop in at our store: together with attractive partners, we organize and promote four events and one value-for-money campaign over the year aimed at tempting customers into our store.

> Our unique concept is expressed most clearly by our two highlight departments of 2004: »Leather Goods and Accessories« and »Hautnah« (cosmetics and wellness).

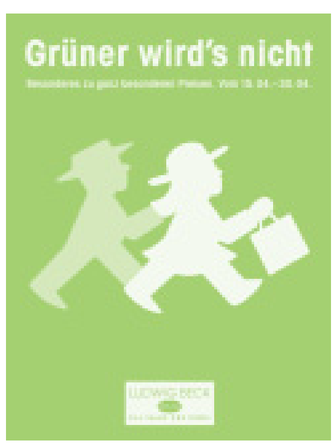
IN COOPERATION *with »Feinkost Käfer«, we created a world of love, desire and passion in February when we invited customers to discover the flair of the Parisian market halls and the latest spring fashion and beauty trends. Customers were free to enjoy a glass of wine here and a vol-au-vent there. There were »trouvailles« to be discovered at our daily antiques and bric-à-brac market, as well as mime artists, musette players, street artists and enchanting can-can ladies who welcomed visitors with small gifts.*

VIVE L'AMOUR

SPRING AWAKENING À LA FRANCAISE

AS GREEN AS IT GETS

SPECIAL PRODUCTS AT SPECIAL PRICES



LUDWIG BECK *does not engage in price wars – we prefer to make fantastic spring offers! For two weeks in April customers could discover top-quality products in all ranges at extremely attractive prices. The entire store was decorated in line with the event motto. Supported by radio commercials, a supplement in the two major dailies, posters and promotion activities, the event soon became an absolute »must go!« in Munich.*

IN JUNE 2004... LUDWIG BECK *was once again among the cooperation partners of designer Koziol during their* DESIGNPARCOURS *trail around Munich. For one week, well-known artists and designers turned the shop windows of our Marienplatz store into a designer workshop, creating interesting objects from Koziol products. Customers and passers-by were invited to engage in small talk with the artists.*

DESIGNPARCOURS

ART AT THE STORE

DESIGNER MARKET AT LUDWIG BECK'S

ISPOVISION INFIELD

FOR THE DURATION OF THE ISPO *sports fashion and equipment fair – and for the first time ever in Germany –* LUDWIG BECK *celebrated an out-and-out styling festival on the 4th floor of its flagship store in Munich. The »ispovision infield« designer market in July was another first for the »Store of the Senses« and combined an innovative shopping experience with a high degree of entertainment. Customers not only had the opportunity to buy exclusive, strictly limited designer models and uniquely styled Converse and Wrangler clothing, but could seek individual advice from the creative fashion designers. The success was overwhelming! Customers were delighted by this opportunity to experience authentic designs at first hand.*

»SERVUS MÜNCHEN«
ISAR BELLA

UNDER THE MOTTO »THERE'S NO PLACE LIKE HOME!« LUDWIG BECK *welcomed Munich locals, newcomers and tourists back from their summer sojourns and ushered in its fall/winter season. Making the city that little bit more attractive in September: with exciting new collections, the latest trends and the smartest Bavarian outfits for the »Oktoberfest«… Local caterer »Feinkost Käfer« was on hand to serve Bavarian specialties, Moet & Chandon organized a champagne trail around the store and »servus.heimat« presented cultish souvenirs.*

Käfer

servus.heimat

MOËT & CHANDON

O COME ALL YE FAITHFUL... *our traditional Christmas House was once again a strong magnet for yuletide shoppers. No wonder – every year we offer something special, something rare and beautiful, to create the right atmosphere for the season of good cheer…*

OH MAPLE TREE, OH MAPLE TREE... *This year's Christmas House feature was the arts and crafts of the indigenous Canadian people...*

SEE THE PRETTY LIGHTS AND COLORS... *Everything your Christmas tree desires can be found at our annual glitter ball and candle market...*

EXCEPTIONAL CRAFTSMEN... *Horn grinders, box makers, book binders, angel wing creators – these are just a few of the artisans offering their wares and new ideas for that special present...*

WISH LISTS AND SANTA'S HELPERS
CHRISTMAS BONUS

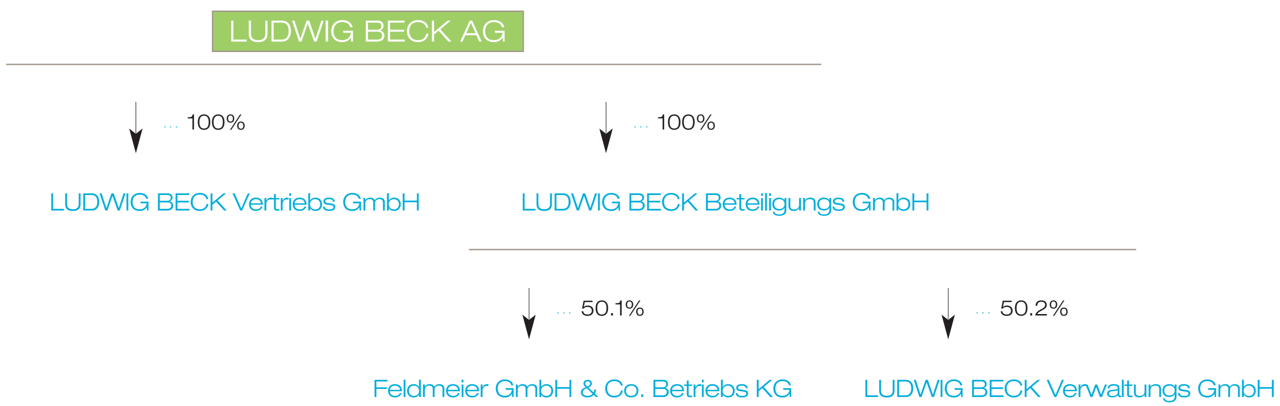
LEATHER GOODS AND ACCESSORIES *have developed into absolute »must haves« – loved by our customers and not insignificant earners for the major fashion labels. For* LUDWIG BECK *they offer an ideal addition to our clothing range and present a gateway to high-class designer fashion segments. We have been carefully cultivating this growth segment for many years and have developed it into one of our strengths: since adding international top brands to the range in 2004, sales have grown by almost 40%!*

OBJECTS OF DESIRE IN AN ENTICING AMBIENCE ACCESSOIRES

HAUTNAH
BEAUTY FOR THE SENSES

EXCELLENT QUALITY & EXCLUSIVITY: *the wide range of cosmetics on offer in our »HAUTNAH« department is unrivalled in Europe! Most of our products are cult labels from the USA, Italy and the UK – a range which is clearly positioned above the mass-market perfume stores. The unique nature of our cosmetics and wellness concept, including in-house spa facilities, is warmly appreciated by our domestic and international clientele. Following growth of 19% in 2004, our HAUTNAH department now accounts for 8% of our flagship store's revenues.*

STRUCTURE
OF LUDWIG BECK GROUP



LUDWIG BECK *already established a group structure in 2001. The* LUDWIG BECK *Group is clearly structured according to its various business segments:*

– LUDWIG BECK AG *comprises our traditional business with the flagship Marienplatz store, the »*LUDWIG BECK*« branches and the fashion warehouse outlets.*

– LUDWIG BECK *Vertriebs GmbH is a sales company aimed at exploiting the tremendous growth opportunities of mono-label stores.*

– LUDWIG BECK *Beteiligungs GmbH contains the company's real estate assets. For legal reasons, there are two further companies below the »Beteiligungs GmbH«:* LUDWIG BECK *Verwaltungs GmbH (in which* LUDWIG BECK *Beteiligungs GmbH holds the majority share) is responsible for the management of Feldmeier GmbH & Co. Betriebs KG, the owner of our Marienplatz premises.*

FINANCIAL INFORMATION

INVESTOR RELATIONS

[*UNSETTLED CAPITAL MARKETS*] Share markets remained unsettled in 2004: from its year-end level of 3,965 on December 31, 2003, the German blue-chip index (DAX) fell to a low of 3,712 in August before rallying to 4,256 toward year-end.

Listed in the Prime Standard segment of the German stock exchange, the LUDWIG BECK share fared somewhat worse than the general market trend in Germany last year and was driven down to a price of around € 4.50. The main reason, we believe, was the continuing difficulties of the retail clothing sector. LUDWIG BECK already succeeded in uncoupling itself from the general sector development in 2004. Since the beginning of 2005, the capital market has begun to recognize our efforts and the share has progressed to prices of up to € 5.50.

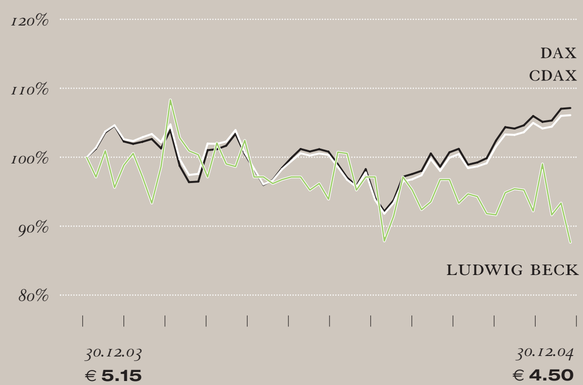
[*STRONG TURNOUT AT AGM ON MAY 21, 2004*] There was once again a large number of private investors among the 500 shareholders attending the Annual General Meeting of LUDWIG BECK on May 21, 2004. Approximately 1.74 million voting shares were represented – about 52% of total share capital.

All items of the agenda were accepted with voting majorities of around 99%. In addition to the presentation of the consolidated financial statements, shareholders were given the opportunity to exchange views with members of the company's management team.

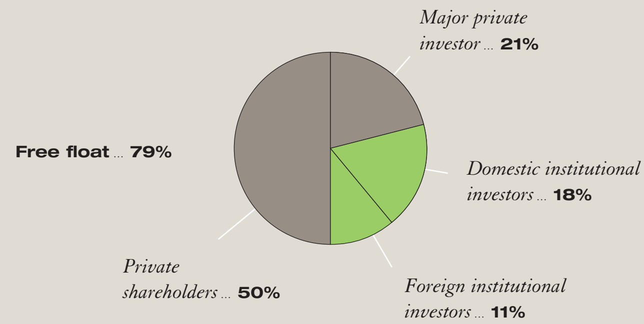
The Ludwig Beck share at a glance	
Number of shares	3.36 (3.36) million
Year-end price	€ 4.50
Year-high price	€ 5.59
Year-low price	€ 4.50
Market capitalization	€ 15.1 million
Reuters code	ECK
SIN	519 990
ISIN	DE 0005199905
Designated Sponsor	HypoVereinsbank AG München
Stock exchanges	Official trading in Munich and Frankfurt, Xetra, unlisted trading in Berlin, Stuttgart, Düsseldorf, Hamburg
Segment	Prime Standard

Financial calendar 2005	
Press conference	March 17 (Munich)
DVFA analyst conference	March 18 (Frankfurt)
1st quarter report	April 29
Annual General Meeting	May 30 (Munich)
Interim report	July 29
3rd quarter report	October 28
Sales figures 2005	January 2006

[*LUDWIG BECK SHARE PRICE IN COMPARISON*]



[*SHAREHOLDER STRUCTURE*]



[*BROAD SHAREHOLDER STRUCTURE*] LUDWIG BECK shares are spread widely throughout the world. According to a survey carried out on the basis of 3.06 million registrations as of September 30, 2004, about one third of the company's free float shares are held by institutional investors.

[*CORPORATE GOVERNANCE*] LUDWIG BECK is committed to responsible, value-driven management and supervision. Our aim is to consistently guarantee the transparency of our corporate guidelines and company development in order to create, maintain and strengthen the trust of our customers, business partners, shareholders and employees.

Due to the traditionally close cooperation between the Supervisory Board, Executive Board and shareholders of LUDWIG BECK, the company was able to quickly implement all recommendations of the German Corporate Governance Code, which we accept in full.

[*ACTIVE INVESTOR RELATIONS*] In order to strengthen trust in the company, LUDWIG BECK once again pursued an active investor relations policy in the past fiscal year. We constantly endeavor to improve and expand on our relationships with private and institutional investors. To this end, they receive all relevant details necessary to formulate an informed opinion concerning the underlying value of the LUDWIG BECK share. We provide open, comprehensive and up-to-date information about current developments in the company and publish annual and quarterly reports. At our Annual General Meetings, we encourage an open dialogue with our shareholders. Furthermore, we regularly publish »ad hoc« notifications and press releases, which are automatically sent to our institutional and private shareholders.

CONSOLIDATED MANAGEMENT REPORT 2004
OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH

[*ECONOMIC SITUATION*] The overall economic situation in Germany improved considerably in 2004 with real growth in gross domestic product (GDP) of +1.7% – the strongest increase since 2000. This recovery in growth, however, owed much to the increase in real exports. Domestic use of GDP grew only marginally (+0.5%). Even this growth was fuelled by an increase in public sector consumption, while consumer spending was once again negative at -0.3%.

This development is further proof of the underlying uncertainty which is determining consumer behavior in Germany. Nominally, disposable incomes rose in line with private consumption by +1.3%. From 1992 to 2000 this was different. In every single year of this period, private consumption grew faster in nominal terms than disposable income. In the years 2001 to 2003, however, the ratio changed and consumer spending lagged behind available income. This was a major cause of the country's poor economic performance. Despite the fact that disposable income and consumer spending were in equilibrium in 2004, in real terms consumer spending fell slightly again by -0.3% (prior-year: -0.2%).

At the same time, the personal savings ratio grew from 10.7% in 2003 to 10.9% in the period under review – thus reaching its highest level since 1995 (11.2%).

[*RETAIL TRADE*] Faced with weak consumer demand for retail goods, the German textile and clothing sector suffered a further decline in sales of 3% in 2004, according to the trade journal »Textil-Wirtschaft« (TW). Although this figure was somewhat better than the previous year's -5%, it was still firmly negative.

Any positive effects from the faster implementation of tax reforms or liberalization of shopping hours were insufficient to bring about a turnaround. The all-important Christmas shopping period failed to live up to the expectations of Germany's retail sector. The post-Christmas season fell well short of expectations.

The current job market situation, health reform plans and oil price increases are not only encouraging consumers to spend more carefully but are also leading to a greater emphasis on products which promise security and provision for the future.

[*SALES DEVELOPMENT*] Net sales revenues (excluding VAT) of LUDWIG BECK grew from € 80.3 to € 86.7 million in the period under review. This corresponds to an increase of 8.0%. On a like-for-like basis, sales grew by 2.4%. Consolidated sales revenues contain net sales of LUDWIG BECK Vertriebs GmbH of € 8.5 (prior-year: € 6.8) million.

Consolidated sales revenues in fiscal 2004 include, for the first time, sales of the new stores in Riem of LUDWIG BECK AG (one store) and LUDWIG BECK Vertriebs GmbH (two stores), which were opened in spring.

[CONSOLIDATED INCOME STATEMENT OF LUDWIG BECK AG]

	2004		2003	
	€ million	*%*	*€ million*	*%*
Sales revenues	86.7	100.0	80.3	100.0
Total other operating income	2.8	3.2	2.1	2.7
	89.4	**103.2**	**82.5**	**102.7**
Cost of materials	46.5	53.6	43.5	54.1
Total other operating expenses	39.7	45.8	37.1	46.2
EBIT	**3.3**	**3.8**	**1.9**	**2.4**
Financial result	-4.0	-4.6	-3.6	-4.5
Result of ordinary activities	**-0.7**	**-0.8**	**-1.7**	**-2.1**
Taxes	-0.4	-0.5	-0.7	-0.9
Consolidated net loss (before minority interests)	**-0.2**	**-0.3**	**-0.9**	**-1.1**

The strong development of business in the second half of 2004 was mainly responsible for the positive development of sales in the year as a whole. Sales at the Marienplatz store in the second half of 2004, for example, grew by 6%. In total, the flagship Marienplatz store showed growth of 4%.

Strong sales growth was also reported by the Esprit store of LUDWIG BECK Vertriebs GmbH located in Munich's Olympic Shopping Center. Sales here were up 7.5% on the previous year.

As part of our portfolio streamlining process for the Vertriebs GmbH sales subsidiary, two Gerry Weber stores were transferred to Gerry Weber Retail GmbH in September 2004.

[*EARNINGS SITUATION*] In addition to LUDWIG BECK AG, the consolidated financial statements of the LUDWIG BECK Group also contain the 100% subsidiaries LUDWIG BECK Beteiligungs GmbH and LUDWIG BECK Vertriebs GmbH.

LUDWIG BECK Beteiligungs GmbH owns 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.

LUDWIG BECK Vertriebs GmbH manages the Group's franchise store operations. The company currently operates eight stores.

Due to the positive development of sales, the Group's gross profit rose by 9.0% from € 36.9 to € 40.2 million in 2004. Gross margin improved by 0.5 percentage points to 46.4% (45.9%).

The cost ratio (expenses against the corresponding incomes) also improved by 1.0 percentage point to 42.6% (43.5%).

The Group's EBITDA margin (the ratio between EBITDA and net sales) amounts to 8.1%, following 6.8% in the previous year. Consolidated EBIT improved to € 3.3 (1.9) million. Consolidated net income (before minority interests) changed by € 0.7 million, from € -0.9 to € -0.2 million.

[*PERSONNEL*] Due to the opening of new stores, personnel expenses increased during the period under review from € 17.9 to € 18.7 million. Personnel expenses represented 21.6% (22.3%) of net sales.

Compared with the previous year, the number of employees of LUDWIG BECK AG rose from 486 to 523. The number of apprentices was down on the prior-year to stand at 58 (70). The weighted total number of full-time employees amounted to 394 (378).

[CONSOLIDATED BALANCE SHEET STRUCTURE OF LUDWIG BECK AG]

	2004		2003	
	€ *million*	%	€ *million*	%
Assets				
SHORT-TERM ASSETS				
I. Cash and cash equivalents	0.6	0.5	1.1	1.0
II. Receivables and other assets	1.6	1.4	1.5	1.3
III. Inventories	10.2	9.1	10.0	8.9
	12.4	**11.0**	**12.6**	**11.3**
LONG-TERM ASSETS				
I. Property, plant and equipment	92.1	81.8	92.2	82.2
II. Intangible assets	2.6	2.3	2.3	2.0
III. Deferred taxes	5.4	4.8	5.0	4.4
IV. Other assets	0.2	0.1	0.2	0.2
	100.2	**89.0**	**99.6**	**88.7**
Total	**112.6**	**100.0**	**112.3**	**100.0**

In fiscal year 2004, LUDWIG BECK Vertriebs GmbH employed an average of 64 (53) people. 2 (3) apprentices were in training at the company. The weighted number of full-time employees amounted to an annual average of 40 (33).

LUDWIG BECK Beteiligungs GmbH did not employ any staff in 2004.

[*FINANCIAL RESULT*] The financial result amounted to € -4.0 (-3.6) million. This corresponds to -4.6% (-4.5%) of net sales.

[*TAXES*] Due to temporary differences between assets and liabilities in the commercial balance sheet according to IFRS and the tax balance sheets of the Group's individual members, as well as to an increase in tax carry forwards, deferred tax income of € 0.4 (0.7) million was created during the period under review.

As of December 31, 2004 the tax loss carry forward of LUDWIG BECK AG amounted to € 11.9 (11.0) million for trade tax and € 17.9 (16.6) million for corporate taxes. As of December 31, 2004 the corporate tax loss carry forward of LUDWIG BECK Beteiligungs GmbH amounted to € 0.7 million.

[*INVESTMENT AND FINANCE*] At € 4.7 (3.0) million, capital expenditures of the LUDWIG BECK Group were well above the prior-year figure in 2004. Investments were made for intangible assets (€ 0.5 million) and property, plant and equipment (€ 4.2 million). The additions to intangible assets were mainly a newly introduced material management system.

In the field of property, plant and equipment, the bulk of investment concerned new store openings in Riem (€ 1.9 million) as well as the flagship Marienplatz store (€ 1.6 million). The investments were financed by cash flow from operating and financing activities.

As of December 31, 2004, cash and cash equivalents of the LUDWIG BECK Group were below the prior-year figure at € 0.6 (1.1) million. Further details are provided in the separate »Consolidated cash flow statement«.

[*BALANCE SHEET STRUCTURE*] The balance sheet total grew slightly by 0.3% to € 112.6 (112.3) million. Shareholders' equity fell by € 1.0 million. Liabilities increased in 2004 by a total of € 1.3 million. The Group's equity ratio stands at 36.6 (37.6)%.

	2004		2003	
	€ million	*%*	*€ million*	*%*
Shareholders' equity and liabilities				
SHORT-TERM LIABILITIES				
I. Liabilities to banks	16.0	14.2	13.7	12.2
II. Trade liabilities	2.3	2.0	1.4	1.3
III. Other liabilities	4.3	3.8	4.0	3.6
	22.5	**20.0**	**19.1**	**17.0**
LONG-TERM LIABILITIES				
I. Liabilities to banks	37.6	33.4	40.9	36.4
II. Accruals	1.0	0.9	1.0	0.9
III. Other liabilities	5.7	5.1	4.6	4.1
IV. Deferred tax liabilities	4.6	4.0	4.6	4.1
	48.9	**43.4**	**51.0**	**45.4**
SHAREHOLDERS' EQUITY				
I. Subscribed capital	8.6	7.6	8.6	7.7
II. Reserves	8.2	7.3	9.0	8.0
III. Minority interests	24.5	21.7	24.6	21.9
	41.3	**36.6**	**42.2**	**37.6**
Total	**112.6**	**100.0**	**112.3**	**100.0**

[*RISK REPORT*] In the course of business on its specified sales markets, the LUDWIG BECK Group is exposed to a wide variety of risks involved in any business operation. These may affect the Group's net assets, finances and earnings.

We have established modern controlling instruments to recognize, monitor and communicate such risks. These instruments ensure that our executives receive information about the development of such risks in time to launch suitable counter measures. Responsibilities have been clearly defined within the organization.

Especially with regard to the expansion of LUDWIG BECK Vertriebs GmbH, these instruments are optimized on an ongoing basis in order to take sufficient account of any changes in the organizational structure.

In addition to the usual business risks, the Group is exposed to the following additional risks:

[*Competition/Economic and sector risks*] The development of the over-the-counter retail sector is characterized by the continued growth of vertical sales systems, an increase in store selling space and the decline of traditional specialist stores. In addition to fiercer competition, there is also a strong dependency on consumer behavior.

Such changes in consumer behavior, caused by the general economic situation, political conditions and changes in income, require constant realignment of our sales concept with the behavior and requirements of consumers. The alignment of strategy results above all from careful market observation, analysis of the competitive situation and trends in consumer behavior as well as the behavior of our relevant target groups. With our clear positioning and corporate strategy, we are utilizing the opportunities resulting from this permanent market change. Our high-quality service and depth of product range make us well placed to benefit from niches in the specialist store segment.

We can utilize the prestigious location of our flagship store to create a distinctive image for our new high-quality outlets. LUDWIG BECK can also benefit from the trend toward vertical retail systems by operating its own mono-label stores offering well-known brands via its subsidiary LUDWIG BECK Vertriebs GmbH. The alignment of LUDWIG BECK is aimed at expanding the market position of our flagship store, while utilizing existing know-how to generate additional sales and earnings through new sales channels.

[*Seasonal risks*] The LUDWIG BECK Group publishes quarterly reports of its business development. These reports highlight certain seasonal fluctuations, which are common in our business. For example, the Group regularly generates a high proportion of its sales and earnings during the Christmas season in the fourth quarter. Some 33% of Group sales are generated during this period.

As goods are purchased much earlier than the seasonal peak sales periods, this causes outflows of cash at times during which there are not necessarily corresponding inflows of cash from sales revenues. For such instances, we have established a variety of cash management instruments.

[*Financial risks*] LUDWIG BECK AG operates a financial clearing system for the Group. This internal clearing system helps reduce the amount of external finance required and optimizes cash deposits. As a result, the system has a positive impact on the interest result of both individual companies and the Group as a whole.

LUDWIG BECK's open and up-to-date information policy and equal treatment of all lenders is the basis for the high level of trust which creditors have in the company and thus for their willingness to provide credit lines. The Group's own equity position, its current cash flows and the bank loans it receives, form the basis for the company's long-term finance. In order to cover future capital requirements, the company's financial management team also regularly checks alternative finance opportunities.

[*Loss of receivables risk*] LUDWIG BECK is exposed to the risk of non-payment of receivables only to a very limited extent. The risks resulting from credit card payments are mainly borne by the credit card providers. In the case of other non-cash payment transactions, the general risk is extremely low.

[*Legal and tax risks*] To the best of our knowledge the LUDWIG BECK Group is not currently facing, nor expecting, legal proceedings or arbitration which might have a significant impact on its economic situation. As a result, no impact on business development is expected. In the case of legal questions, the Group always seeks the help of external legal advisers. The Group has sufficient insurance cover for risks from damages and liability claims.

To the best of our knowledge, the Group is not exposed to any tax risks which might have a significant impact on our economic situation.

[*IT risks*] IT risks mainly concern the necessity for permanent availability of our cash register and computer systems and thus the necessary IT network, as well as the integrity of data in connection with potential external attacks on our IT systems. The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services. An effective IT management system ensures that the Group's IT systems are permanently available and that measures to protect the system from external attacks are taken.

[*Personnel risks*] Employees are one of the most decisive success factors of our company. Our human resources activities focus on providing effective training measures and developing junior managers. The development of staff, in combination with the application of our management principles, reduces the risk of personnel fluctuations and secures the high qualification standards of our employees.

[*Overall risk*] With regard to fiscal 2005, the most significant risks lie in grossly misjudging the future development of sales as well as in a significant increase in price competition. There are no recognizable risks which might endanger the company's continued existence.

[*OUTLOOK*] As so often in the past few years, the German retail clothing sector got off to a poor start in 2005. Sales in January were down 6% (acc. to TW). Conditions for the retail sector are once again nothing less than unfavorable in 2005. German politics and the current consumption climate hardly offer hope of a speedy turnaround. The positive effects from the third stage of tax reform offering relief for all income groups have since been diluted by discussions about the »Hartz IV« labor market reforms, additional health charges and new record unemployment figures. Against such an adverse economic backdrop, the savings ratio of 10.9% in 2004 is almost certain to rise further, while spending on clothing and textiles continues to deteriorate.

Numerous economic research institutes forecast growth in GDP of around 1% for 2005 and hope that the growth motor of 2004, »Exports«, will be replaced by a recovery in domestic demand. At LUDWIG BECK, we have chosen not to take this generally positive scenario as the basis of our considerations for 2005.

Our planning for 2005 is based on the following assumptions:

– there will be no generally positive development of the sector,
– there will be no return to the ruinous discount wars of the past, which will generally result in an improvement of gross margins,
– our success in 2005 will be based on the continuation of LUDWIG BECK's own in-house demand, albeit somewhat weaker than in 2004,
– our continued focus on strict cost management will help us expand our EBIT margin. In this connection, we intend to scrutinize our store portfolio and draw the necessary consequences.

A key pillar of LUDWIG BECK's development in the past year was the distinctiveness of product ranges such as »Hautnah« (cosmetics and wellness), haberdashery and our music departments, featuring classical and jazz records. With the expansion of our »Accessories and high-class leather goods« department last year, we have now added a further distinctive product range. In 2005 we plan to extend this claim to our textile ranges. At the Group's flagship store in Munich the department »Skirts, pants, blouses and combination fashions«, already very successfully launched in 2004, will be expanded to 2,000 m^2 of sales space. The depth of our ranges and the expert advice we provide will form the basis for the expected success.

The commitment of our staff, the exciting mix of ranges and marketing ideas and the credibility of LUDWIG BECK in the eyes of our customers will form the basis for our own store-generated demand in 2005. For the Group as a whole, we expect a further clear increase in sales and a sustained improvement in earnings.

Munich, February 2005

The Executive Board

CONSOLIDATED BALANCE SHEET

OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH
AS OF DEC. 31, 2004 ACC. TO IASB

ASSETS		Notes	31.12.2004 €k	31.12.2003 €k
A.	**SHORT-TERM ASSETS**			
I.	Cash and cash equivalents	*(1)*	590	1,113
II.	Receivables and other assets	*(2)*	1,614	1,486
III.	Inventories	*(3)*	10,195	10,033
			12,399	**12,632**
B.	**LONG-TERM ASSETS**			
I.	Property, plant and equipment	*(4)*	92,092	92,239
II.	Intangible assets	*(4)*	2,620	2,255
III.	Deferred taxes	*(5)*	5,366	4,969
IV.	Other assets	*(6)*	157	172
			100,235	**99,635**
			112,634	**112,267**

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	31.12.2004 €k	31.12.2003 €k
A.	**SHORT-TERM LIABILITIES**			
I.	Liabilities to banks	(7)	15,958	13,651
II.	Trade liabilities	(7)	2,294	1,438
III.	Accruals	(8)	17	15
IV.	Other liabilities	(7)	4,243	3,976
			22,512	**19,080**
B.	**LONG-TERM LIABILITIES**			
I.	Liabilities to banks	(7)	37,636	40,851
II.	Accruals	(8)	987	998
III.	Other liabilities	(7)	5,692	4,576
IV.	Deferred tax liabilities	(9)	4,553	4,593
			48,868	**51,018**
C.	**SHAREHOLDERS' EQUITY**			
I.	Subscribed capital	(10)	8,590	8,590
II.	Reserves	(10)	8,201	8,992
III.	Minority interests	(10)	24,463	24,587
			41,254	**42,169**
			112,634	**112,267**

CONSOLIDATED INCOME STATEMENT

OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH
FOR THE PERIOD JAN. 1 - DEC. 31, 2004 ACC. TO IASB

	Notes	01.01. - 31.12.2004		01.01. - 31.12.2003	
		€k	€k	€k	€k
1. Sales revenues	(11)				
sales (gross)		100,509		93,107	
minus sales tax		13,849	86,660	12,785	80,322
2. Own work capitalized	(12)		31		23
3. Other operating income	(13)		2,732		2,118
			89,423		**82,463**
4. Cost of materials	(14)	46,474		43,462	
5. Personnel expenses	(15)	18,742		17,880	
6. Depreciation	(16)	3,774		3,520	
7. Other operating expenses	(17)	17,166	86,156	15,673	80,535
8. **EBIT**			**3,267**		**1,928**
9. **Financial result**	(18)		**-3,951**		**-3,584**
of which financing expenses: € 3,957k (prior-year: € 3,597k)					
10. **EBT**			**-684**		**-1,656**
11. Deferred taxes	(19)		-436		-738
12. **Consolidated net loss before minority interests**			**-248**		**-918**
13. Minority interests	(20)		543		549
14. **Consolidated net loss after minority interests**			**-791**		**-1,467**
15. Transfers to/from reserves	(21)		791		1,467
16. **Unappropriated consolidated net income**			**0**		**0**
Earnings per share (undiluted and diluted) in €	(22)		-0.24		-0.44
Average number of outstanding shares in thousands			3,360		3,360

CONSOLIDATED EQUITY STATEMENT
OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH

for the period Jan. 1 - Dec. 31, 2003	*Subscribed capital* *€k*	*Capital reserves* *€k*	*Accumulated earnings* *€k*	*Minority interests* *€k*	*Total* *€k*
Balance as of 01.01.2003	8,590	7	10,994	24,676	44,267
Adjustment because of change to IFRS 3	0	0	-541	0	-541
Balance as of 01.01.2003 (adjusted)	8,590	7	10,453	24,676	43,726
Consolidated net loss after minority interests	0	0	-1,467	0	-1,467
Minority interests	0	0	0	548	548
Disbursements to minority interests	0	0	0	-638	-638
Balance as of 31.12.2003	**8,590**	**7**	**8,986**	**24,586**	**42,169**

for the period Jan. 1 - Dec. 31, 2004	*Subscribed capital* *€k*	*Capital reserves* *€k*	*Accumulated earnings* *€k*	*Minority interests* *€k*	*Total* *€k*
Balance as of 01.01.2004	8,590	7	8,986	24,586	42,169
Consolidated net loss after minority interests	0	0	-791	0	-791
Minority interests	0	0	0	543	543
Disbursements to minority interests	0	0	0	-667	-667
Balance as of 31.12.2004	**8,590**	**7**	**8,195**	**24,462**	**41,254**

CONSOLIDATED CASH FLOW STATEMENT

OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH
FOR THE PERIOD JAN. 1 - DEC. 31, 2004 ACC. TO IASB

	2004	2003
	€k	€k
Net loss before minority interest and taxes	-684	-1,656
Adjustments for:		
Depreciation of fixed assets	3,774	3,687
Revaluation of fixed assets	0	-167
Increase/Decrease (+/-) in long-term accruals	-11	-12
Other non-cash expenditure/income (+/-)	0	-3
Financial income	-6	-13
Interest expenses	3,957	3,596
Operating result before changes to working capital	**7,030**	**5,432**
Loss/profit (+/-) from disposal of fixed assets	0	77
Increase/decrease (-/+) in short-term assets:		
Inventories	-162	440
Trade receivables	-161	667
Other assets, prepaid expenses	47	-206
Increase/decrease (-/+) in liabilities:		
Trade payables	856	-571
Other liabilities	116	275
Increase/Decrease (+/-) in short-term accruals	2	-20
Net cash from operating activities (before interest payments)	**7,728**	**6,094**
Interest paid	-3,951	-3,591
Interest received	5	13
Net cash from operating activities	**3,782**	**2,516**

(continued…)

	2004	2003
	€k	€k
(continued:)		
Proceeds from disposal of fixed assets	690	2
Disbursements for additions to fixed assets	-4,682	-3,006
Net cash used in investing activities	**-3,992**	**-3,004**
Disbursements to minority interests	-667	-638
Acceptance of bank liabilities	3,000	5,047
Acceptance of interest-bearing loans	1,500	0
Repayment of bank liabilities	-3,913	-2,798
Acceptance/Repayment (+/-) of finance leases	-233	-845
Net cash from financing activities	**-313**	**766**
Change in cash and cash equivalents	-523	278
Cash and cash equivalents at beginning of fiscal year	1,113	835
Cash and cash equivalents at end of fiscal year	**590**	**1,113**

NOTES

OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH TO THE CONSOLIDATED FINANCIAL STATEMENTS ACC. TO IFRS FOR THE FISCAL YEAR 2004

A. BASIS OF PRESENTATION

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (in the following also referred to as LUDWIG BECK AG), the parent company of the LUDWIG BECK Group, was founded on September 24, 1992 by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich.

LUDWIG BECK AG is listed in the Commercial Register of the district court of Munich under HR B No. 100213.

The object of the LUDWIG BECK Group is the sale of all goods, especially the wholesale and retail of textiles, clothing, hardware and other merchandise, also by mail order, as well as the acquisition, holding and managing of investments in unincorporated and incorporated companies, especially such companies which own real estate or which themselves hold investments in such companies.

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2004 have been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC)/Standing Interpretations Committee (SIC). All mandatory requirements of the International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) for fiscal year 2004 were complied with. Furthermore, IFRS 3, IAS 36, IAS 38, IAS 1 and IAS 2 improved were already observed during the current fiscal year on a voluntary basis. The consolidated financial statements according to IFRS exempt the Company from the preparation of consolidated financial statements according to Sec. 292a German Commercial Code (HGB).

The consolidated balance sheet of LUDWIG BECK AG was drawn up as of the balance sheet dates December 31, 2004 and December 31, 2003. The respective consolidated income statement, consolidated equity statement, consolidated cash flow statement and the notes to the consolidated financial statements comprise the periods from January 1, 2004 to December 31, 2004 and from January 1, 2003 to December 31, 2003. The balance sheet dates of the consolidated companies are identical. A consolidated management report is not required according to IFRS, but was prepared in line with Sec. 292a HGB.

All amounts in the consolidated financial statement are stated in €k (thousand euros).

The layout of items in the consolidated balance sheet, consolidated income statement (total cost method), equity statement and cash flow statement is in accordance with IAS 1 improved.

The preparation of the consolidated financial statements requires estimations and assumptions which may affect the amounts stated for assets, liabilities and financial commitments as of the balance sheet date, as well as income and expenses of the fiscal year. Actual amounts may differ from these estimations.

B. EXPLANATION OF SIGNIFICANT DIFFERENCES TO ACCOUNTING, VALUATION AND CONSOLIDATION METHODS ACCORDING TO GERMAN LAW

The major differences to German accounting, valuation and consolidation methods are as follows:

- IAS 12 requires deferred taxes to be stated for temporary differences between assets and liabilities of the commercial balance sheet according to IFRS and the tax balance sheet (Liability Method).
- According to IAS 12, a deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.
- Due to an acquisition through merger by LUDWIG BECK AG, land and buildings of Feldmeier GmbH & Co. Betriebs KG are carried at their fair value in accordance with IFRS 3. There is no limitation of asset values to their actual acquisition cost under IFRS.
- In those cases in which leasing agreements qualify as finance leases pursuant to IAS 17, the leased asset is capitalized and the payment obligation carried as a liability at its present value. Finance leases give rise to a depreciation expense and a finance expense in the income statement.
- Receivables and payables denominated in foreign currencies are valued at the closing rate in accordance with IAS 21.
- Pursuant to IAS 37, accruals are only formed if the probability of the obligation is greater than 50%. Accrued liabilities were disclosed under other liabilities.
- Accrued expenses were not formed according to IAS 37.
- IAS 16 requires property, plant and equipment to be depreciated on a systematic basis over their useful lives. Non-real-estate assets up to a value of € 410.00 are capitalized and depreciated over a period of three years.

- In accordance with IFRS 3, IAS 36 and IAS 38 improved, goodwill has been carried since January 1, 2004 as the brand name »LUDWIG BECK«, pursuant to IAS 38 improved, and is no longer depreciated over a useful life of 20 years. As of December 31, 2004, there was no indication of any impairment of the brand name.
- Land and buildings are carried according to the revaluation method pursuant to IAS 16.
- Non-interest-bearing liabilities are carried at their present value in the balance sheet.
- IAS 39 divides financial assets into the following categories:
  - financial asset or liability held for trading purposes,
  - held-to-maturity investments,
  - loans and receivables originated by the enterprise and
  - available-for-sale financial assets.

In the consolidated financial statements of the LUDWIG BECK Group, financial instruments are generally classified as »loans and receivables originated by the enterprise« or as »available-for-sale financial assets«.

A »regular way« purchase or sale of financial assets is recognized using settlement date accounting, i.e. the day the asset is delivered to the enterprise.

Financial instruments are carried at net book value or fair value.

In the case of short-term receivables and liabilities, net book value is always equivalent to the nominal amount or the amount repayable. Fair value generally corresponds to the market or stock exchange value.

- The consolidated balance sheet is divided into short-term and long-term assets and short-term and long-term liabilities.
- Extended disclosure obligations are required by IFRS with regard to details provided in the notes to the consolidated financial statements.

C. FULFILLMENT OF CRITERIA FOR EXEMPTION FROM CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO SECTION 292A GERMAN COMMERCIAL CODE (HGB)

On the basis of Sec. 292a HGB, the consolidated financial accounts acc. to IFRS exempt the Company from the necessity to file consolidated financial accounts according to German commercial law. The Company has fulfilled all necessary criteria for exemption:

- The parent company utilizes an organized market pursuant to Sec. 2 (5) German Securities Trading Law (WpHG) with issued securities pursuant to Sec. 2 (1) Sentence 1 WpHG.
- German commercial law regulations (Sections 290, 295, 296 HGB) for the scope of the consolidated group were observed.
- The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC)/Standing Interpretations Committee (SIC).
- The information provided by the IFRS consolidated financial statements and respective documents is equivalent to that of consolidated financial statements and the group management report prepared in accordance with German commercial law pursuant to German Accounting Standard (DRS) 1 and fulfills EU guidelines.
- The explanation of differences to accounting, valuation and consolidation methods according to German law is provided in a separate section (see above).
- The documents providing exemption are audited by the independent auditors appointed pursuant to Sec. 318 HGB.
- These consolidated financial statements are presented according to Sections 325, 328 HGB in German and in euros (€).

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D. CONSOLIDATION PRINCIPLES

I. CONSOLIDATED GROUP

In addition to LUDWIG BECK AG as parent company, the following subsidiaries are included in the consolidated financial statements:

Name	*Country*	*Shareholding (also voting rights)*
Direct shareholdings:		
LUDWIG BECK Vertriebs GmbH	Germany	100.0%
LUDWIG BECK Beteiligungs GmbH	Germany	100.0%
Indirect shareholdings:		
LUDWIG BECK Verwaltungs GmbH	Germany	50.2%
Feldmeier GmbH & Co. Betriebs KG	Germany	50.1%

As the Company has majority shares and thus a controlling interest in all the above subsidiaries, they are all fully consolidated.

The scope of the consolidated group was without prejudice to Sections 295, 296 HGB (Sec. 292a (2) No. 1 HGB).

II. CONSOLIDATED BALANCE SHEET DATE

The consolidated balance sheet of LUDWIG BECK AG was prepared as at December 31, 2004. The consolidated income statement, the equity statement and the cash flow statement comprise the period January 1, 2004 to December 31, 2004. The fiscal years of all subsidiaries correspond with this period.

III. CONSOLIDATION METHODS

1. CAPITAL CONSOLIDATION

The capital of the fully consolidated companies is consolidated using the purchase method of accounting. The acquisition costs of the investment are offset against the proportionate shareholders' equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden assets and liabilities were distributed among the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken during consolidation. In this way, the shares of other shareholders are also measured at the fair values of identifiable assets and liabilities attributable to the minority interests.

The purchase method of accounting was applied to the acquisition of Feldmeier GmbH & Co. Betriebs KG, while for all other first-tier and second-tier subsidiaries capital consolidation was undertaken at the time of acquisition of the company.

In the case of subsequent consolidation, uncovered hidden assets and liabilities are treated in the same way as the corresponding assets and liabilities .

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 included under shareholders' equity in the consolidated balance sheet. Drawings from the capital accounts of other shareholders (limited partners) in Feldmeier GmbH & Co. KG reduce minority interests.

There were no credit balances resulting from capital consolidations.

2. CONSOLIDATION OF RECEIVABLES AND LIABILITIES

Receivables and liabilities between consolidated companies were eliminated during the consolidation of receivables and liabilities.

3. CONSOLIDATION OF INCOME AND EXPENSES

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.

4. ELIMINATION OF UNREALIZED PROFITS

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

IV. PRINCIPLES OF FOREIGN CURRENCY TRANSLATION

No foreign currency translations were required during consolidation, as all subsidiaries are German.

The reporting currency is thousand euros (€k).

V. ACCOUNTING PRINCIPLES AND VALUATION METHODS

1. GENERAL

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC)/Standing Interpretations Committee (SIC), as valid on the balance sheet date. Furthermore, IFRS 3, IAS 36, IAS 38, IAS 1 and IAS 2 improved were already observed during the current fiscal year on a voluntary basis.

The consolidated balance sheet and income statement of the companies included in the consolidated financial statements were mainly prepared according to the following accounting principles and valuation methods of the parent company.

2. CURRENCY TRANSLATION USED IN THE CONSOLIDATED COMPANIES

There is no hedging for foreign currencies.

Receivables and payables in foreign currencies are always converted at the exchange rate valid on the day of transaction, pursuant to IAS 21.

Receivables and payables in foreign currencies are valued at the lower buying rate or higher selling rate valid on the balance sheet date.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash-in-hand and short-term bank balances. The amounts are given at nominal values.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are carried at nominal values. Recognizable risks are covered by appropriate allowances. Bad debts are written off.

Other receivables and other assets are carried at the lower of nominal value and fair value on the balance sheet date.

Long-term receivables were not discounted, as there is already a market interest rate.

Prepaid expenses contain only prepaid operating expenses.

5. INVENTORIES

In accordance with IAS 2 improved, raw materials, supplies and merchandise are always valued at acquisition cost. As of August 1, 2004, the FIFO principle (first-in, first-out) was applied to the consumption of inventory. Prior to August 1, 2004, acquisition costs were calculated according to the weighted average.

Appropriate deductions to net realizable value were made for old stock and goods of reduced salability. The cost of external capital was not capitalized.

6. PROPERTY, PLANT AND EQUIPMENT

With the exception of land and buildings, property, plant and equipment is carried at cost (acc. to IAS 16), including any ancillary expenses.

Due to an acquisition through merger by LUDWIG BECK Beteiligungs GmbH, land and buildings of Feldmeier GmbH & Co. Betriebs KG are carried at their fair value in accordance with IAS 22. Subsequent value is measured according to the revaluation method, as provided by IAS 16. For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and development of guideline land prices between 1998 and 2000 were considered. The carrying value of land is always adjusted, if the guideline land prices change by more than 10% compared to the guideline land prices used for the respective current valuation. No revaluations have been made since the initial consolidation of Feldmeier GmbH & Co. Betriebs KG in 2001. The building is depreciated in scheduled amounts over its expected useful life.

Depreciable objects of property, plant and equipment are written down in scheduled amounts using the straight-line method over their useful life (possibly limited by shorter leases). The following useful lives are applied to assets:

Buildings	30 years
Buildings including buildings on third party land	10 - 30 years
Other fixtures and fittings, tools and equipment	3 - 10 years

Non-real-estate assets up to a value of € 410.00 are depreciated over a period of three years.

During the period under review, no non-scheduled writedowns were made for expected impairment in excess of the usual wear-related loss in value.

Payments on account and assets under construction are capitalized with the amount paid and depreciated following completed construction in scheduled amounts over their useful life using the straight-line method.

Maintenance costs are expensed in the respective period.

Leasing

In those cases in which leasing agreements qualify as finance leases pursuant to IAS 17, the leasing object is capitalized and payment obligations with regard to future leasing installments carried as a liability. Treatment as a finance lease results in depreciation charges in the consolidated income statement in relation to the useful life of the leasing object as well as a finance expense.

7. INTANGIBLE ASSETS

In accordance with IAS 38 improved, acquired intangible assets are capitalized at acquisition cost and amortized using the straight-line method over their useful lives.

No non-scheduled writedowns were made.

Concessions, industrial and similar rights and licenses in such rights

These concern licenses and modifications to user software, which are written down over an expected useful life of 3 to 5 years, or 10 years in the case of essential software programs.

The standards IFRS 3 (Business Combinations), the revised IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), as passed by the IASB in early 2004, were applied in these financial statements. As of January 1, 2004, the goodwill item »LUWIG BECK« (€ 2,038k) has been included under »Concessions, industrial and similar rights and licenses in such rights«, as it represents an identified brand name according to IAS 38 improved. The prior-year figures were adjusted accordingly. In line with the application of these standards, the scheduled amortization of goodwill, or brand name, was ended as of January 1, 2004, as this right is not consumed over time (unlimited useful life). As of December 31, 2004, there was no indication of any impairment of the brand name. As a consequence, the result before taxes improved by € 170k, compared with the previous year. In accordance with the transitional provisions of IFRS 3, the profit and loss account of the previous year was not adjusted.

8. DEFERRED TAXES

Deferred taxes are calculated according to the liability method (IAS 12). This requires them to be stated for all temporary accounting and valuation differences between assets and liabilities according to IFRS and tax balance sheet valuations. Deferred tax credits are only considered if recognition is expected. With the application of IFRS 3 to the brand name, or goodwill, deferred taxes were adjusted with reserves by € 541k as of January 1, 2004, pursuant to IAS 8. Due to only minor effects for the previous year, the profit and loss account did not need to be adjusted.

A deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

In calculating deferred taxes, a Group-wide tax rate of 41% was always applied. For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, a tax rate of 26.375% (corporate tax and solidarity surcharge) was applied to that part attributable to the majority shareholder (LUWIG BECK Beteiligungs GmbH), as Feldmeier GmbH & Co. Betriebs KG is exempted from trade tax and, due to trade tax reduction regulations, LUWIG BECK Beteiligungs GmbH is not subject to trade tax on the proportional income from Feldmeier GmbH & Co. Betriebs KG. There are no other Group taxes for minority shares.

Deferred tax assets and liabilities were offset in accordance with IAS 12.

9. LIABILITIES

Liabilities are always valued at their discharge or repayment values.

Long-term, non-interest-bearing liabilities were discounted to their present value.

10. ACCRUALS

According to IAS 37, accruals are recognized when an enterprise has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. Other accruals cover all recognizable risks. The valuation is based on the probable amount.

Pension accruals

Due to their minor significance, pension accruals in the IFRS consolidated financial statements are valued as in the consolidated financial statements of LUWIG BECK AG according to HGB. Pension accruals 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 (Sec. 6a EStG). The guidelines drawn up in 1998 by Prof. Dr. Klaus Heubeck are applied.

11. REVENUE RECOGNITION

Revenue is recognized from the sale of goods when the goods are delivered. Revenue from the rendering of services is recognized when the service is performed. Sales revenues are disclosed net of sales tax, discounts and credit notes.

12. FINANCIAL INSTRUMENTS (IAS 32 AND 39)

In the consolidated financial statements, financial assets and liabilities comprise cash and cash equivalents, trade receivables and payables, other receivables, other liabilities and liabilities to banks. The accounting principles regarding valuation and carrying amounts are described in the respective explanations of these items in the notes to the consolidated financial statements.

Financial instruments are classified as assets or liabilities, according to the economic content of the contractual terms. Interest, income and losses from these financial instruments are therefore carried as income and expenses. Financial instruments are offset, if the Group has a legally enforceable right to offset and intends either to settle just the difference or both the receivable and payable at the same time.

Risks from interest rate changes in comparison to market development only exist insofar as long-term, fixed-rate interest agreements have been made.

E. NOTES AND EXPLANATIONS TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

I. CONSOLIDATED BALANCE SHEET

(1) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash-in-hand and bank balances. This item also represents the corresponding »cash and cash equivalents« balance of the cash flow statement acc. to IAS 7.

Cash and cash equivalents contain the following items:

in €k	31.12.2004	31.12.2003
Cash-in-hand	553	515
Bank balances	37	598
Total	**590**	**1,113**

Bank balances receive interest of between 0% and 0.5% p.a. Cash-in-hand does not bear interest. There are no hedging activities.

(2) RECEIVABLES AND OTHER ASSETS

Receivables and other assets comprise the following:

in €k	31.12.2004	31.12.2003
Trade receivables	877	715
Other assets	626	671
Prepaid expenses	111	100
Total	**1,614**	**1,486**

The disclosed carrying amounts correspond to present values. All maturities are less than one year.

Trade receivables

Trade receivables contain the following:

in €k	31.12.2004	31.12.2003
Total receivables	906	739
less discounts	29	24
Trade receivables	**877**	**715**

Discounts refer to expected bad debts.

»Enforceable« receivables passed on to collection agencies were discounted in full. There were no further loss risks or hedging activities.

Other assets (short-term)

Other short-term assets consist of the following:

in €k	31.12.2004	31.12.2003
Debit-side creditors	308	357
Other loans	22	7
Loans to employees	13	5
Profit share of insurance policies	1	9
Bonus receivables from suppliers	30	154
Others	252	139
	626	**671**

Prepaid expenses

Prepaid expenses concern various expenses representing cost for a specific period after the consolidated balance sheet date and amount to € 111k (prior-year: € 100k).

Prepaid expenses for rent prepayments (€ 143k) are to be released as of June 30, 2018. As the term exceeds 1 year, the amount is carried under long-term assets.

(3) INVENTORIES

Inventories consist of the following items:

in €k	31.12.2004	31.12.2003
Raw materials and supplies (at cost)	104	72
Merchandise (at cost)	11,454	11,132
less impairment of merchandise	-1,363	-1,171
	10,195	**10,033**

The usual limitations to ownership apply to the disclosed inventories. As of fiscal year 2004, ownership of inventories at the Marienplatz store and the warehouse in Haar was transferred to financing banks as security for loans received (value as of 31.12.2004: € 7,693k).

All merchandise is carried at cost minus possible impairments. Appropriate deductions to the lower net realizable value were made for old stock and goods of reduced salability.

(4) FIXED ASSETS

Fixed assets comprise the following two items in the consolidated balance sheet:

– Property, plant and equipment

– Intangible assets

The development of acquisition costs, cumulative depreciation and book values of fixed assets is presented in the following »Development of fixed assets« schedule.

DEVELOPMENT OF CONSOLIDATED FIXED ASSETS

OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH FROM JAN. 1 - DEC. 31, 2004

	Acquisition-/	
in €k	*As of 01.01.2004*	*Additions*
I. Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	**3,809**	**15**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third party land	99,495	370
2. Other fixtures and fittings, tools and equipment	13,737	1,433
3. Payments on account and assets under construction	212	2,864
	113,444	**4,667**
	117,253	**4,682**

Manufacturing costs							
Disposals	*Reclassifications*	*As of 31.12.2004*	*Cumulative depreciation*	*Write-ups of fiscal year*	*Book value 31.12.2004*	*Book value 31.12.2003*	*Depreciation of fiscal year*
0	**467**	**4,291**	**1,671**	**0**	**2,620**	**2,255**	**117**
300	1,235	100,800	16,313	0	84,487	85,104	1,947
602	1,153	15,721	8,336	0	7,385	6,923	1,710
0	-2,855	221	0	0	221	212	0
902	**-467**	**116,742**	**24,649**	**0**	**92,093**	**92,239**	**3,657**
902	**0**	**121,033**	**26,320**	**0**	**94,713**	**94,494**	**3,774**

PROPERTY, PLANT AND EQUIPMENT

Land, land rights and buildings, including buildings on third party land

The building is depreciated over its expected useful life of 30 years using the straight-line method. Improvements are always depreciated by Group companies over an expected useful life of 10 years using the straight-line method.

The land was valued on September 1, 2001 at € 68,779k. The building (valued on September 1, 2001 at € 3,527k) will be depreciated from the point of revaluation over 30 years in annual rates of € 118k. Hidden reserves amounting to € 66,661k were uncovered during revaluation. The book value without revaluation of the property amounts to € 5,114k (prior-year: € 5,347k). The revaluation results mainly from the development of guideline land prices, as determined by the city of Munich.

The additions (including reclassifications) in fiscal year 2004 amounting to € 1,605k mainly concern:

Improvements in sales outlets of LUDWIG BECK AG	€k	1,160
Improvements in sales outlets of LUDWIG BECK Vertriebs GmbH	€k	430

Finance leasing

Land and buildings includes property from the Munich-Haar real estate agreement. This agreement represents a finance lease as the lease term is approximately the same as the useful life of the leased object and all major risks and opportunities connected with the object were transferred from the lessor to LUDWIG BECK AG. The building has been capitalized and will be depreciated over a useful life of 29 years, according to the lease term. The asset value of the preliminary expenses was also capitalized. It will be depreciated over a useful life of 22.5 years, according to the lease term.

The carrying value of the Haar property, including preliminary expenses incurred, developed as follows in fiscal year 2004:

As of Jan. 1, 2004	€k	3,806
Depreciation 2004	€k	-234
As of Dec. 31, 2004	€k	**3,572**

Other fixtures and fittings, tools and equipment

The assets listed under this item are all depreciated over a useful life of 3 to 10 years using the straight-line method.

The additions (including reclassifications) in fiscal year 2004 amounting to € 2,586k consist mainly of the following:

Other fixtures and fittings, tools and equipment for LUDWIG BECK AG	€k	2,110
Other fixtures and fittings, tools and equipment for outlets of LUDWIG BECK Vertriebs GmbH	€k	476

Finance leasing

Other fixtures and fittings, tools and equipment includes leasing objects representing finance leases as the lease terms are approximately the same as the useful life of the leased objects and all major risks and opportunities connected with the objects were transferred from the lessor to LUDWIG BECK AG. These leasing objects have been capitalized and will be depreciated over their useful working lives.

The leasing objects have the following book values as of Dec. 31, 2004:

Shop fittings	€k	1,275
Cash registers	€k	198
Cars	€k	48
Total	€k	**1,521**

The carrying values developed as follows in fiscal year 2004:

As of Jan. 1, 2004	€k	1,357
Additions 2004	€k	606
Depreciation 2004	€k	-442
As of Dec. 31, 2004	€k	**1,521**

Payments on account and assets under construction increased by € 9k, from € 212k to € 221k.

INTANGIBLE ASSETS

All intangible assets were acquired.

Intangible assets (industrial and similar rights) are composed of the following items:

in €k	31.12.2004	31.12.2003
Software	582	217
Brand name	2,038	2,038
	2,620	**2,255**

The useful life of user software is 3 - 5 years, in the case of essential software programs 10 years. Software is depreciated using the straight-line method. The increase in the period under review was due primarily to the purchase of a material management program.

The intangible asset originating from the purchase of the company name »LUDWIG BECK«, was amortized until December 31, 2003 using the straight-line method in annual amounts of € 170k. Due to the application of IFRS 3, IAS 36 and IAS 38 improved, the annual scheduled amortization of this intangible asset ended as of January 1, 2004.

The brand name is attributed to the »Retail« segment, however it only concerns the cash-generating unit »Marienplatz Flagship Store«. An impairment test was made annually. The achievable amount is the utility value, as there is no active market for the brand name. The utility value was derived from the planned cash flows of the flagship store (before financial items and income taxes), which were discounted by an estimated interest rate before taxes of 9%. The cash flows were based on prior-years and extrapolated within the company's five-year plan. An increase in sales revenues of 1.5% was assumed. This increase is in line with expected economic growth, but above the sector development, as the flagship store already outpaced the general sector trend in 2004. A gross margin of 45% and inflation of 1.5% were assumed.

There was no need to make unscheduled writedowns.

(5) DEFERRED TAXES

The deferred tax assets and liabilities refer to the following items of the consolidated balance sheet:

	31.12.2004		31.12.2003	
in €k	*asset*	*liability*	*asset*	*liability*
Building	45		51	
Pension accrual	3		4	
Leasing	17		83	
Tenant loans	151		140	
Loss carry forward	6,327		5,848	
Other accruals		29		27
Brand name		742		727
Non-interest-bearing liabilities		211		235
Land		4,578		4,578
Property, plant and equipment		167		181
Other		3		2
Total	6,543	5,730	6,126	5,750
Net balance of deferred taxes	-1,177	-1,177	-1,157	-1,157
Total stated in consolidated balance sheet	**5,366**	**4,553**	**4,969**	**4,593**

Deferred tax assets are only recognized for the carry forward of unused tax losses of LUDWIG BECK AG and LUDWIG BECK Beteiligungs GmbH to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

LUDWIG BECK AG has trade tax and corporate tax loss carry forwards, which can be carried forward for an indefinite period. A reduction of these loss carry forwards is expected in future. Over 93% of deferred tax assets on loss carry forwards result from LUDWIG BECK AG.

LUDWIG BECK Beteiligungs GmbH is engaged in the holding of shares in unincorporated and incorporated companies, especially such companies which own real estate or which themselves hold or manage investments in such companies. Initially, the company's interest expenses exceed its income from investments. In future, however, the company is expected to generate earnings from its real estate business, which will then use up its accrued corporate tax losses.

Due to a profit and loss transfer agreement between LUDWIG BECK AG and LUDWIG BECK Vertriebs GmbH, the entire income or loss of LUDWIG BECK Vertriebs GmbH is transferred to LUDWIG BECK AG as of 2002. The corporate tax loss of LUDWIG BECK Vertriebs GmbH amounting to € 50k accrued as of December 31, 2001 shall remain unused for tax purposes for the duration of the profit and loss transfer agreement.

The deferred taxes for buildings (€ 45k), pension accruals (€ 3k), other accruals (€ 29k), leasing (€ 17k), non-interest-bearing liabilities (€ 211k), tenant loans (€ 151k) and property, plant and equipment (€ 167k) resulted exclusively from temporary differences between the commercial balance sheet according to IFRS of the respective company and the tax balance sheet (IAS 12.15). These temporary differences, and hence the deferred taxes, will be released over a corresponding period (until the recognition of the asset or liability).

In accordance with SIC 21, an accrual for deferred taxes was formed (€ 4,578k) for a »quasi-permanent« difference between the valuation of a real estate asset in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the restated IFRS balance sheet. In accordance with SIC 21, an accrual for deferred taxes was also formed (€ 743k) for a »quasi-permanent« difference between the valuation of the »LUDWIG BECK« brand in the IFRS balance sheet and the valuation of goodwill in the tax balance sheet. With the application of IFRS 3 to the brand name, or goodwill, deferred taxes were adjusted with reserves by € 541k as of January 1, 2004, pursuant to IAS 8. Due to only minor effects for the previous year, the profit and loss account did not need to be adjusted.

(6) OTHER ASSETS (LONG-TERM)

in €k	31.12.2004	31.12.2003
Loans to employees	14	3
Rent prepayment	143	143
Other loans	0	26
	157	**172**

The loans bear interest at market conditions. The interest rate is between 6% and 7%.

(7) LIABILITIES

in €k	Total	of which due within 1 year	between 1 and 5 years	over 5 years
1. Liabilities to banks	53,594	15,958	5,810	31,826
prior-year	*54,502*	*13,651*	*8,446*	*32,405*
2. Trade liabilities	2,294	2,294	0	0
prior-year	*1,438*	*1,438*	*0*	*0*
3. Other liabilities	9,935	4,243	3,679	2,013
prior-year	*8,552*	*3,976*	*2,135*	*2,441*
– of which taxes: € 1,311k (prior-year: € 1,186k)				
– of which social security: € 463k (prior-year: € 469k)				
31.12.2004	**65,823**	**22,495**	**9,489**	**33,839**
prior-year	*64,492*	*19,065*	*10,581*	*34,846*

Liabilities to banks (€ 33,226) resulting from the purchase of the »Marienplatz« property are secured as follows:

Mortgages	€k	33,050
Guaranties of minority shareholders	€k	176

Liabilities to banks of LUDWIG BECK AG amounting to € 17,789k and of its subsidiary, LUDWIG BECK Vertriebs GmbH (€ 2,557k), totaling € 20,346k, are secured by the assignment of the Group's consolidated receivables, the pledging of shares in the fully consolidated subsidiary LUDWIG BECK Beteiligungs GmbH and by transfer of ownership of inventories (see (3)).

According to IAS 32, liabilities to banks are classified as financial instruments. Liabilities to banks bear risks from interest rate changes with regard to overdraft facilities with variable interest rates. These interest rates are then adapted to current market rates. In the case of loans with fixed-rate interest agreements, there is the risk that market interest rates may fall. The consolidated balance sheet amount corresponds to the present value of liabilities.

In order to minimize interest rate risks, fixed interest rates were agreed for part of the real estate finance (currently short- and long-term: € 29,508k) at an annual rate of 6% for a period of 20 years. No derivative (structured product) is to be separated or valued separately.

Interest-swap loans were also taken (short- and long-term: € 2,909k as of December 31, 2004). These concern fixed-interest agreements. No derivative (structured product) is to be separated or valued separately.

All leasing agreements, deemed as such under German law, are classified as finance leases pursuant to IAS 17. Operating lease agreements mainly concern rent leases for Group branch stores, which are shown under other financial obligations.

The following leasing rates or repayments result from current finance lease agreements:

in €k	*Leasing rate*	*Interest*	*Repayment*
Due within 1 year	1,161	219	942
Due between 1 and 5 years	2,754	575	2,179
Due after 5 years	2,223	210	2,013
	6,138	**1,004**	**5,134**

Total liabilities from finance leases amount to € 5,134k, prior-year: € 5,366k (of which present value up to one year: € 942k (prior-year: € 790k), between 1 and 5 years: € 2,179k (prior-year: € 2,135k) and over 5 years: € 2,013k (prior-year: € 2,441k)).

Total minimum leasing payments from finance leases amount to € 6,138k, prior-year: € 6,601k (of which up to one year: € 1,161k (prior-year: € 1,041k), between 1 and 5 years: € 2,754k (prior-year: € 2,799k) and over 5 years: € 2,223k (prior-year: € 2,761k)).

Liabilities to banks (short-term)

Short-term liabilities to banks are carried at their repayment value and consist of the following:

in €k	31.12.2004	31.12.2003
Loans	5,621	4,132
Overdrafts	10,337	9,519
	15,958	**13,651**

As of December 31, 2004 there were current account credit lines of € 17,998k, which bore interest at market rates when utilized.

The interest rates for loans were between 4.4% and 7.6% and for overdrafts between 4.0% and 8.0%.

Liabilities to banks (long-term)

Liabilities to banks are carried at their repayment value. The interest rates were between 4.4% and 7.6%. A non-interest-bearing loan (nominal value: € 176k), is discounted at 5.5% (€ 67k) and has a book value as of December 31, 2004 of € 109k.

Trade liabilities

Trade liabilities are carried at their repayment value. Due to the short-term maturities of these liabilities, this amount corresponds to the market value of the liabilities. Suppliers are generally paid within 10 days, in order to claim cash discounts, whereas the credit period is generally 60 days.

Other liabilities (short-term)

in €k	31.12.2004	31.12.2003
Wage and sales taxes	1,311	1,186
Social security contributions	463	469
Purchase vouchers	586	490
Leasing	942	790
Personnel expenses	435	369
Audit and tax declaration fees	180	175
Accruals (accrued liabilities)	110	73
Others	216	424
	4,243	**3,976**

Total liabilities from finance leases (of which long-term: € 4,192k, prior-year: € 4,576k) developed as follows in fiscal year 2004:

Present value Jan. 1, 2004	€k	5,366
Additions 2004	€k	606
Leasing rates 2004	€k	-1,094
Interest expense 2004	€k	256
Present value Dec. 31, 2004	€k	**5,134**

(8) ACCRUALS

The following details are provided on accruals in accordance with IAS 37:

in €k	*As of Jan. 1, 2004*	*Use*	*Release*	*Additions*	*As of Dec. 31, 2004*
Maintenance obligations	940	0	0	20	960
Impending loss from leases	40	-16	0	0	24
Accruals for pensions and similar obligations	33	-13	0	0	20
Total	**1,013**	**-29**	**0**	**20**	**1,004**

Maintenance obligations

This accrual concerns a maintenance obligation from a lease and was formed on the basis of an expert opinion.

Impending loss from leases

This accrual was formed for possible losses from pending transactions, resulting from sub-letting.

Accruals for pensions and similar obligations

Pension accruals as of the consolidated balance sheet date consisted of the following:

in €k	31.12.2004	31.12.2003
Present value of pension obligation as of balance sheet date	20	33

Pension accruals were formed for commitments to former employees of the LUDWIG BECK Group.

The consolidated income statement of the period under review contains the following pension obligations:

in €k	31.12.2004	31.12.2003
Current pension expenses	8	13

In the period under review, there were the following changes to pension obligations:

As of Jan. 1, 2004	€k	33
Change in pension obligations	€k	-13
As of Dec. 31, 2004	€k	**20**

Due to their minor significance, pension accruals in the IFRS consolidated financial statements are valued as in the consolidated financial statements of LUDWIG BECK AG according to HGB. Pension accruals 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 (Sec. 6a EStG). The guidelines drawn up in 1998 by Prof. Dr. Klaus Heubeck are applied. For reasons of materiality, no revised expert opinion as of December 31, 2004 was prepared. The value was determined by means of estimation.

(9) DEFERRED TAX LIABILITIES

Deferred tax liabilities were carried as explained under section (5), »Deferred taxes«.

(10) SHAREHOLDERS' EQUITY

With regard to changes in shareholders' equity in fiscal year 2004, we refer to the »Consolidated equity statement«.

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,360,000 no-par shares (ordinary shares). These no-par shares are made out to the bearer. The share capital was paid up in full. The nominal value of the shares is € 2.56 per no-par share.

In fiscal year 2004 all LUDWIG BECK shares were outstanding.

Reserves

in €k	31.12.2004	31.12.2003
Revenue reserves	8,194	8,985
Capital reserves	7	7
	8,201	**8,992**

Revenue reserves

Revenue reserves developed as follows in fiscal year 2004:

Statutory reserves:		
As of Jan. 1, 2004	€k	852
Change 2004	€k	0
As of Dec. 31, 2004	€k	**852**

Other revenue reserves:		
As of Jan. 1, 2004	€k	8,674
Correction to deferred taxes	€k	-541
As of Jan. 1, 2004 (after correction)	€k	8,133
Drawings	€k	791
As of Dec. 31, 2004	€k	**7,342**

With the application of IFRS 3 to the brand name »LUDWIG BECK«, or goodwill, deferred taxes were adjusted with reserves by € 541k as of January 1, 2004, pursuant to IAS 8.

Notifications pursuant to Sec. 21 (1) German Securities Trading Law (WpHG)

Mr. Karl Schleicher (Ingolstadt) has given notification that, as of April 4, 2002, his voting rights of LUDWIG BECK AG exceeded the 20% threshold. He currently holds 20.89% of voting capital (701,961 voting shares).

Buchanan Holding Ltd. (Isle of Man) has given notification that, as of August 6, 2002, its voting rights of LUDWIG BECK AG exceeded the 10% threshold. It currently holds 10.80% of voting capital (362,880 voting shares).

COMINVEST Asset Management GmbH (Frankfurt am Main) has given notification that, as of December 15, 2004, its voting rights of LUDWIG BECK AG fell below the 5% threshold. It currently holds 4.53% of voting capital (152,208 voting shares).

Minority interests

Minority interests consist of the following items:

in €k	31.12.2004	31.12.2003
Feldmeier GmbH & Co. Betriebs KG	24,451	24,575
LUDWIG BECK Verwaltungs GmbH	12	12
	24,463	**24,587**

As of January 1, 2004, minority interests have been disclosed under the balance sheet item »shareholders' equity«, in accordance with IAS 1 improved. The prior-year figure was adjusted correspondingly.

II. CONSOLIDATED INCOME STATEMENT

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

(11) SALES REVENUES

in €k	2004	2003
Sales revenues	86,660	80,322

Sales revenues are explained in more detail in the Group's segment reporting section. With the exception of an amount totaling € 18k (prior-year: € 34k), all sales revenues of the LUDWIG BECK Group were generated in Germany.

(12) OWN WORK CAPITALIZED

In fiscal year 2004, own work capitalized amounted to € 31k (prior-year: € 23k). This item includes personnel expenses and allocated overheads incurred during rebuilding work at the flagship store in Munich.

(13) OTHER OPERATING INCOME

Other operating income comprises rent and allocated rent costs amounting to € 817k (prior-year: € 783k), income from administration amounting to € 15k (prior-year: € 41k), income from sales activities amounting to € 732k (prior-year: € 563k), income from personnel activities amounting to € 244k (prior-year: € 230k) and other income amounting to € 821k (prior-year: € 501k) resulting mainly from canteen revenues € 319k (prior-year: € 292k).

(14) COST OF MATERIALS

in €k	2004	2003
Cost for raw materials, supplies and merchandise	46,474	43,462

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

(15) PERSONNEL EXPENSES

in €k	2004	2003
Wages and salaries	15,266	14,463
Social security	3,023	2,892
Pension costs	453	525
	18,742	**17,880**

Pension costs:

The Company has set up so-called contribution-oriented and performance-oriented pension schemes (IAS 26) for employees of the LUDWIG BECK Group. These are divided into three groups:

a) Pension scheme for all employees

As of January 1, 2001, employees have the possibility to apply for inclusion in the union-agreed pension scheme after 6 months of service.

For employees who joined the Company before March 31, 2000, the pension scheme is a direct insurance agreement concluded with an independent third party (with complete reinsurance cover). For employees who joined the Company after March 31, 2000, the contributions are paid into a pension fund.

The scheme is financed by employer contributions which are expensed to the consolidated income statement.

Employees who joined the Company before March 31, 2000, and are older than 25 and have at least 5 years of service, also receive a voluntary pension from LUDWIG BECK, whereby the union-agreed pension claims are offset.

The cost of these pension obligations in 2004 amounted to € 188k.

A total of 334 employees participate in these pension schemes.

b) Pension scheme for management

These are relief funds into which the employer makes contributions on behalf of employees. The relief fund is operated by an independent third party, who in turn is comprehensively covered by a reinsurance agreement. The scheme is financed by employer contributions which are expensed to the consolidated income statement. The cost of these pension obligations amounted to € 265k.

c) Company pensions for former employees of Feldmeier GmbH & Co. Betriebs KG

This performance-oriented pension scheme is of minor significance for the Group. The pension accrual was formed for these obligations. The accrual was formed for commitments made to employees by Feldmeier GmbH & Co. Betriebs KG. Feldmeier GmbH & Co. Betriebs KG no longer employs any staff. The pension scheme concerns »old commitments«, which were considered during the revaluation.

(16) DEPRECIATION

For details concerning depreciation and amortization of intangible and tangible fixed assets, please refer to the »Development of fixed assets« schedule.

(17) OTHER OPERATING EXPENSES

Other operating expenses comprise the following items:

in €k	2004	2003
Writedowns on short-term receivables	43	64
Cost of office and store space	9,180	7,942
Administration expenses	2,171	2,190
Sales expenses	4,193	3,813
Other personnel expenses	768	715
Insurance/contributions	240	271
Other taxes	90	90
Others	481	588
	17,166	**15,673**

(18) FINANCIAL RESULT

in €k	2004	2003
Other interest and similar income	6	13
Interest and similar expenditure	3,957	3,597
Financial result	**-3,951**	**-3,584**

Other interest and similar income results exclusively from interest received on bank balances. The interest portion for finance leases included under interest expenses amounts to € 256k.

(19) DEFERRED TAXES

Due to corporate tax and trade tax loss carry forwards, the LUDWIG BECK Group paid no effective taxes for fiscal year 2004.

Deferred tax income consists of the following:

in €k	2004	2003
Deferred tax income due to creation and reversal of temporary differences	-436	-738

Deferred tax income results from the following causes:

in €k	2004	2003
From the change in loss carry forwards	-480	-642
From capitalizing finance lease assets	67	51
From temporary differences in the carrying of a tenant loan	-11	-140
From temporary differences in the amortization of goodwill	16	23
From temporary differences in non-interest-bearing liabilities	-23	-23
From temporary differences in the depreciation of fixed assets	-10	-16
Other	5	9
Total deferred taxes	**-436**	**-738**

In calculating deferred taxes for temporary differences and loss carry forwards of the Ludwig Beck Group, a Group-wide tax rate of rounded 41% is applied for a trade tax percentage of 490%.

As Feldmeier GmbH & Co. Betriebs KG is exempted from trade tax, the tax rate for temporary differences applied to majority shareholdings (50.1%) amounts to 26.375%. There are no other Group taxes for minority shares (49.9%) of Feldmeier GmbH & Co. Betriebs KG.

The following table represents a reconciliation between tax expense or income, resulting from the calculated application of a Group-wide tax rate of 41% (corporate tax, solidarity surcharge, trade tax), and the tax expense or income disclosed in the consolidated financial statements according to IFRS:

in €k	2004	2003
Result before income taxes	-685	-1,656
Theoretical tax rate in %	41	41
Calculated tax income	-281	-679
Change in the calculated tax expense due to:		
Netting of tax-neutral losses with taxable earnings of consolidated companies	11	6
– Tax-neutral minority interests	-223	-225
– Tax expense due to temporary differences of Feldmeier GmbH & Co. Betriebs KG	3	2
– Deferred taxes on a special item with equity portion in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG	-19	-19
– Tax expense due to non-deductible expenditure and additions	73	177
Actual tax income	**-436**	**-738**

For reasons of materiality no adjustment was made for the increase in the corporate tax rate in 2003 from 25% to 26.5%.

(20) MINORITY INTERESTS

Minority interests in the period under review comprise the following:

in €k	2004	2003
Feldmeier GmbH & Co. Betriebs KG	-543	-550
LUDWIG BECK Verwaltungs GmbH	0	1
Total	**-543**	**-549**

Negative amounts are expenses from profit allocations, positive amounts are income from loss allocations to minority shareholders.

(21) TRANSFERS TO/FROM RESERVES

Transfers to/from reserves refers only to revenue reserves:

in €k	2004	2003
Drawings from revenue reserves	791	1,467

(22) EXPLANATION OF EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 by dividing consolidated net income by the average weighted number of outstanding shares during the period under review.

Earnings per share

	2004	2003
Consolidated net loss *(in €k)*	-248	-918
Consolidated net loss after minority interests *(in €k)*	-791	-1,467
Weighted number of shares *(in thousands)*	3,360	3,360
Earnings per share (undiluted and diluted) *(in €)*	-0.24	-0.44

The undiluted and diluted results are identical.

F. EXPLANATIONS TO SEGMENT REPORTING

The business segments of the LUDWIG BECK Group are shared between the various companies as follows:

LUDWIG BECK AG	Over-the-counter retailing under the LUDWIG BECK brand (incl. general mail order)
LUDWIG BECK Vertriebs GmbH	Over-the-counter retailing under third-party brands (franchise activities)

The division was made according to the varying opportunities and risks inherent in the above-mentioned activities.

There are no geographical segments, as only a small amount of revenues was generated in varying regions.

As the flagship store (Marienplatz) generates over 75% of consolidated revenues, any further segmentation would not be sensible.

The consolidated sales and earnings relating to these segments in fiscal **2004** were as follows:

in €k	*Retail*	*Franchise*	*Reconciliation*	*Group*
Sales revenues (net)	**78,503**	**8,482**	**0**	**86,985**
Inter-segment sales	-88	-237	0	-325
Non-Group sales	78,415	8,245	0	86,660
Segment earnings (EBIT)	**3,212**	**55**	**0**	**3,267**
Interest income				5
Interest expenditure				-3,956
Financial result				**-3,951**
Income taxes				-436
Net income/loss				**-248**
Depreciation included in segment	3,306	468	0	3,774
Segment assets	116,318	3,538	-7,220	112,636
Segment liabilities	75,608	2,994	-7,220	71,382
Investment in long-term assets	3,812	870	0	4,682

Inter-segment transactions:

Goods transactions between segments were made at market purchase prices. Other inter-company charges result from the allocation of costs according to the degree to which they were incurred by the respective segment.

The consolidated sales and earnings relating to these segments in fiscal **2003** were as follows:

in €k	*Retail*	*Franchise*	*Reconciliation*	*Group*
Sales revenues (net)	**73,635**	**6,785**	**0**	**80,420**
Inter-segment sales	-27	-71	0	-98
Non-Group sales	73,608	6,714	0	80,322
Segment earnings (EBIT)	**2,151**	**-223**	**0**	**1,928**
Interest income				13
Interest expenditure				-3,597
Financial result				**-3,584**
Income taxes				-738
Net income/loss				**-918**
Depreciation included in segment	3,335	352	0	3,687
Revaluation included in segment	167	0	0	167
Segment assets	109,293	4,784	-1,269	112,808
Segment liabilities	62,608	4,236	-1,269	65,575
Investment in long-term assets	2,225	839	-58	3,006

G. EXPLANATIONS TO CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's liquid funds changed during the period under review as a result of inflows and outflows of cash. In accordance with IAS 7 (Cash Flow Statements), the Company distinguishes between cash flows from operating, investing and financing activities. Liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

H. OTHER DETAILS

I. CONTINGENT LIABILITIES, CONTINGENT ASSETS, OTHER FINANCIAL COMMITMENTS

1. CONTINGENT LIABILITIES

In addition to actual commitments covered by accruals, there are also contingent commitments subject to future events which cannot be influenced:

in €k	2004	2003
Liabilities due to guaranties, bill and check guaranties	0	22

2. CONTINGENT ASSETS

There are no contingent assets pursuant to IAS 37.

II. OTHER FINANCIAL COMMITMENTS

The Group's other financial commitments are as follows:

in €k	2004	2003	2004	2003
	Annual commitment		*Total commitment*	
Lease commitments incl. ground rent	7,414	7,750	89,731	94,863
Advertising contribution commitments	246	259	1,872	2,046

The maturities of the total commitment are as follows:

in €k	*within 1 year*	*1 to 5 years*	*over 5 years*	*total*
Lease commitments incl. ground rent	7,414	27,836	54,481	89,731
Advertising contribution commitments	246	765	861	1,872

LUDWIG BECK AG has a storage and shipping agreement with a logistics operator, which expires on December 31, 2005. Payment is linked to incoming goods.

III. RELATIONS TO RELATED COMPANIES AND PERSONS

DECLARATION OF CONFORMITY ACC. TO SEC. 161 AKTG (CORPORATE GOVERNANCE)

The Executive Board and Supervisory Board of LUDWIG BECK AG filed their declaration of conformity acc. to § 161 AktG on December 8, 2004. The requirements of the German Corporate Governance Code are met in full. The Code is permanently available for inspection by shareholders on the Company's home page (www.ludwigbeck.de).

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

Executive Board

The members of the Executive Board both have sole power of representation.

The members of the Executive Board are authorized to represent the Company in legal transactions with themselves as representatives of a third party.

Reiner Unkel (Chairman)

Dieter Münch

Total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft in fiscal year 2004 was as follows:

Reiner Unkel:	€ 348k (of which: variable € 0k, D&O € 3k)
Dieter Münch:	€ 269k (of which: variable € 0k, D&O € 3k)

As of December 31, 2004, the members of the Executive Board held 25,700 no-par shares (prior-year: 25,700).

Supervisory Board

Dr. Joachim Hausser, businessman, Munich, Chairman

Dr. Eva Annett Grigoleit, lawyer, Berlin, Deputy Chairperson

Günter Bergmann, businessman, Allershausen

Gabriele Keitel, commercial clerk, Munich*

Eva-Maria Stähle, commercial clerk, Weßling*

Steven Wilkinson, businessman, Starnberg

**worker representatives*

Remuneration of the Supervisory Board in fiscal 2004 was as follows:

Dr. Joachim Hausser	€ 26k (of which: variable € 0k, D&O € 3k)
Dr. Eva Annett Grigloleit	€ 20k (of which: variable € 0k, D&O € 3k)
consultant services CMS Hasche Sigle lawyers and tax consultants	€ 114k
Günter Bergmann	€ 14k (of which: variable € 0k, D&O € 3k)
Gabriele Keitel	€ 13k (of which: variable € 0k, D&O € 3k)
Eva-Maria Stähle	€ 13k (of which: variable € 0k, D&O € 3k)
Steven Wilkinson	€ 15k (of which: variable € 0k, D&O € 3k)

As of December 31, 2004, the members of the Supervisory Board held 256 no-par shares directly (prior-year: 256, purchase/sale: 0).

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

Reiner Unkel:

Advisory Council:	CJ. Schmidt GmbH & Co. KG, Husum (until June 21, 2004)
Supervisory Board:	HUCKE AG, Lübbecke (since September 13, 2004)

Dr. Joachim Hausser:

Advisory Council:	GETRAG Getriebe- und Zahnradfabrik Hermann Hagemeyer GmbH & Co. KG, Untergruppenbach Klöpfer & Königer GmbH & Co. KG, Munich
Administrative Council:	Kühne & Nagel Intern. AG, Schindellegi

Günter Bergmann:

Advisory Council:	Hettlage München GmbH & Co. OHG, Munich (since September 23, 2004)

Steven Wilkinson:

Administrative Council:	Redsafe Bank AG, Zürich (until September 10, 2004) Schönkind Holding AG, Basel (until September 10, 2004) Schönkind Asset Management AG, Zürich (until September 10, 2004)
Supervisory Board:	Arques Industries AG, Starnberg Arques Consult AG, Starnberg (since March 23, 2004)

IV. PERSONNEL

The Group members of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG employed an average of 587 people in 2004 (prior-year: 539), of which 204 (prior-year: 190) were part-time staff and 109 (prior-year: 84) temporary staff. Apprentices were not included in the calculation.

Munich, February 18, 2005

Reiner Unkel Dieter Münch

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by Ludwig Beck am Rathauseck - Textilhaus Feldmeier AG, Munich, consisting of the balance sheet, income statement, equity statement, cash flow statement and notes for the fiscal year January 1 to December 31, 2004. The audit included the scope of consolidation, the consolidation principles and the adequacy of the annual financial statements included in the consolidated accounts. The preparation and content of the consolidated financial statements are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion, on the basis of our audit, on whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS).

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and in compliance with German principles of proper auditing of financial statements as laid down by the German Institute of Certified Public Accountants (IDW) and in additional compliance with International Standards on Auditing (ISA). These stipulate that the audit must be planned and executed in such a way as to be able to ascertain with sufficient reliability whether the consolidated financial statements are free from fundamentally inaccurate information. 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. As a part of the audit's remit, evidence for the estimated values and information in the consolidated financial statements is assessed on the basis of random samples. The audit includes assessing the accounting principles applied and the legal representatives' principal assessments, as well as an appreciation of the overall presentation of the consolidated financial statements. We believe that our audit provides a sufficiently reliable foundation for our judgment.

Our conviction is that the consolidated financial statements in accordance with IFRS convey a true and fair picture of the Group's net assets, financial and earnings position and of payment flows during the financial year.

Our audit, which also covered the consolidated management report drawn up by the Executive Board for the financial year January 1, 2004 to December 31, 2004, gave rise to no objections. Our conviction is that overall, the consolidated management report together with the other details of the consolidated financial statements give an accurate picture of the Group's position and describe the risks of future development accurately. We also certify that the consolidated financial statements and the consolidated management report for the financial year January 1, 2004 to December 31, 2004 fulfill the conditions for the Company to be exempted from drawing up consolidated financial statements and a consolidated management report in accordance with German law.

Munich, March 3, 2005

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

ppa. S. Rauh	W. Zimmermann
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 situation and business development by the Executive Board. The information was presented during six 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 questions of business policy, strategy and risk management with them. There were also two meetings of the audit committee. The management and personnel committees were not convened during fiscal year 2004. The Supervisory Board observed its legal and statutory duties and closely monitored the management of the company. There were no conflicts of interest among members of the Supervisory Board during the period under review.

The annual financial statements and the consolidated statements as at December 31, 2004 as well as the management report and consolidated management report were audited by the elected auditing firm AWT Horwath GmbH Wirtschaftsprüfungsgesellschaft, Munich, which 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 17, 2005 the Supervisory Board adopted the annual statements prepared by the Executive Board and as presented by AWT in their audit report. The annual financial statements for 2004 are thereby approved.

The Executive Board and Supervisory Board 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 main subjects of our intensive discussions last year were the current development of business in a further, difficult year for the German retail sector, the necessary operative and strategic measures as well as the further development of certain branch stores. The necessary investments were discussed in detail on several occasions, as well as the company's medium and long-term planning and finance.

Together with the Executive Board, the Supervisory Board discussed the implementation of the German Corporate Governance Code. The Supervisory Board and Executive Board issued a declaration of conformity pursuant to Sec. 161 German Stock Corporation Law (AktG) on December 8, 2004.

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 2004. We would also like to extend our gratitude to all staff for their unfailing dedication to duty, which will remain a decisive factor for the success of Ludwig Beck in future.

The Supervisory Board
Munich, March 2005

Dr. Joachim Hausser
Chairman of the Supervisory Board

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