Annual Report 2005

LUDWIG BECK

Ludwig Beck

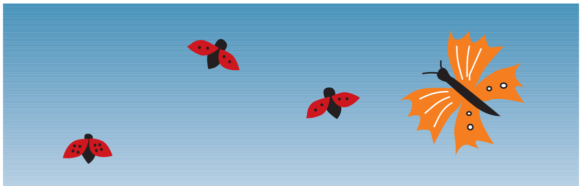
Key figures of the group

Key figures of the group		2005 (IFRS/IAS)	2004 (IFRS/IAS)	2003 (IFRS/IAS)	2002 (IFRS/IAS)
Result					
Sales (gross)	€m	**101.7**	100.5	93.1	95.1
VAT	€m	**14.0**	13.8	12.8	13.0
Net sales	€m	**87.7**	86.7	80.3	82.0
	%	**100.0**	100.0	100.0	100.0
Gross profit	€m	**41.0**	40.2	36.9	37.6
	%	**46.7**	46.4	45.9	45.8
EBITDA	€m	**9.5**	7.0	5.4	6.9
	%	**10.9**	8.1	6.8	8.3
EBIT	€m	**5.8**	3.3	1.9	3.1
	%	**6.6**	3.8	2.4	3.7
Result from ordinary activities	€m	**1.8**	-0.7	-1.7	0.0
	%	**2.0**	-0.8	-2.1	0.0
Net income (loss)	€m	**1.2**	-0.2	-0.9	0.4
	%	**1.4**	-0.3	-1.1	0.5
Balance sheet					
Equity	€m	**32.9**	32.3	33.1	35.2
Equity ratio	%	**30.4**	28.7	29.5	31.1
Return on equity (before taxes)	%	**3.6**	-0.8	-2.8	1.2
Capital expenditure	€m	**1.6**	4.7	3.0	6.3
Balance sheet total	€m	**108.1**	112.6	112.3	113.3
Personnel					
Employees	number	**540**	587	539	563
Personnel expenses	€m	**17.6**	18.7	17.9	19.2
	%	**20.0**	21.6	22.3	23.4
Sales per employee (weighted average)	€k	**254**	217	209	196
Per share					
Number of shares	m	**3.36**	3.36	3.36	3.20
Consolidated net income (loss) after minority interest	€	**0.19**	-0.24	-0.44	0.13
Dividend	€	**0.10**	0.00	0.00	0.00
Other details (as of Dec. 31)					
Sales area	sqm	**17,867**	21,520	19,910	17,080
Sales per sqm	€/sqm	**5,693**	4,670	4,676	5,566

A Review of the Year

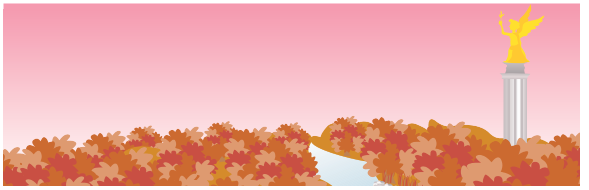
Q 1

- LUDWIG BECK opens the completely redesigned **pants department** on more than 500 square meters on the 2nd floor of the flagship store at Munich's central Marienplatz location. Customers are enjoying an unrivaled variety of brands oriented towards up-market demands.
- **"Ispovision infield"** of the "store of the senses": Independent designers from all parts of Germany present their exclusive collections in February. All creations shown are uniquely hand-produced. The artists are on location, consulting and styling customers.
- LUDWIG BECK at Marienplatz is transformed into a **"store of smiles"** for three weeks in March: the "Japanese cherry blossom festival" lures in many visitors and produces pleasing sales figures.
- LUDWIG BECK presents the 2004 annual accounts at the **annual press conference** on **March 17:** gross sales are clearly above the previous year's number with **€ 100.5m** (previous year € 93.1m).
- The **growth phase** continues: the LUDWIG BECK Group closes out the **quarter** with a slight sales and earnings plus. **Gross sales rise to € 21.9m** (previous year: € 21.7m), operating earnings (EBIT) to € -0.4m (previous year € -0.6m).



Q 2

- **"As green as it gets":** LUDWIG BECK at Marienplatz again features special offers at special prices for two weeks in April.
- The three **Tommy Hilfiger stores** in Regensburg, Kempten and Munich-Riem are transferred to Tommy Hilfiger Deutschland GmbH on **April 30.**
- **T. C. Boyle** reads from his new novel **"Dr. Sex"** and delivers a witty, intelligent discourse with the popular actor Jan Josef Liefers on the 50s style stage in front of **750 enthusiastic spectators.** Organizer is LUDWIG BECK, DICHTUNG & WAHRHEIT.
- More than **500 shareholders** take part in the **ordinary AGM** on **May 30, 2005** in the Munich Hilton Park Hotel. The presence reaches ca. 46 %. **All** items on the agenda receive a high approval.
- The theme of **"Design Parcours Munich"** in July is called >>dressed<<. The "store of the senses" gives the designer **Angelika Paschbeck** a display window at Marienplatz as a platform and offers a limited special edition from the designer.
- Contrary to the sector trend, which posted a sales decline of 2 %, **LUDWIG BECK's sales rise** again and lie at **€ 43.7m** (previous year € 43.6m). The **operating profit** (EBIT) is already in positive numbers at mid-year with **€ 0.1m** and thus climb considerably from the previous year by € 1.0m (previous year € -0.9m).



Q 3

- Prominent growth at LUDWIG BECK: The beauty and wellness department **HAUTNAH** sells **exclusive** products of the English cult label **Jo Malone** across Germany since September.
- LUDWIG BECK **closes** the first of the two **fashion warehouse outlets** in Baden-Württemberg with **Hechingen.**
- The **nine-month figures** provide joy and optimism: The LUDWIG BECK Group achieves **gross sales** in the amount of **€ 68.5m** after the third quarter (previous year € 67.9m) and again posts a 0.9 % rise in contrast to the sector trend. The **operating profit** (EBIT) increases considerably from the previous year's period by € 1.7m and now amounts to **€ 1.1m** (€ -0.7m).

Q 4

- Sit back, relax and get away from it all: with the "feel good week" at the beginning of October. The exclusive cosmetics department **HAUTNAH** at LUDWIG BECK presents a complete event program covering the topics of beauty, care and relaxation.
- The **new audio book department** at LUDWIG BECK opens at the end of October and offers a selection of every genre of audio books not yet seen.
- Classic-enthusiasts get a treat in mid-December: **star violinist Anne-Sophie Mutter** comes to the LUDWIG BECK autograph signing.
- This year's **"Christmas house"** exceeds all expectations: a like-for-like **sales plus of 4.8 %** compared to the previous year is achieved overall.
- **Karl Schleicher** reports the **increase** in his stake in the traditional Munich department store. Schleicher now holds just **over 25 %** of the company with 840,001 shares and therewith indicates clear signs of a **solid trust** in the further development of the Group.
- The second fashion warehouse outlet in Baden-Württemberg is closed with the **Kuchen** location. The mono-label store **s.Oliver** in Memmingen is discontinued.
- The **LUDWIG BECK share outperforms the DAX** in FY 2005. The closing price on December 31 is **€ 5.85** and shows a **rise** by an excellent **30 %** compared to the previous year.
- LUDWIG BECK shows a **significant sales increase for 2005** over the previous year. **Gross sales** of the Group rise despite a continuously difficult market environment by 1.2 % to **€ 101.7m** (previous year € 100.5m). The **operating profit** (EBIT) also rises over-proportionately and reaches **€ 5.8m** after € 3.3m in the previous year.

LUDWIG BECK
"Store of the senses"

+++ Resumption of the dividend payment – € 0.10 per share +++
+++ Significant sales increase at the flagship store – 5 % plus thanks to successful "trading-up" +++
+++ LUDWIG BECK share better than the DAX – share price increase of 30 % to € 5.85 +++
+++ Return to profits – significant net income of € 1.2m before minority interests +++

To our shareholders

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 orga-nization, he joined the Executive Board in April 1998 where he has been responsible for finance, investor relations and personnel since May 1999.

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 wellknown 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 responsi-bility for purchasing, sales and marketing.

Dear shareholders,

2005 was a dynamic and eventful financial year for LUDWIG BECK. It was a year marked by optimization, value increase, growth and profitability and it was a year of trust, cooperation, dedication and emotions. We have kept our promise and we have even considerably exceeded our goals. LUDWIG BECK is again on the path to success – and that in the face of a continuously difficult market environment.

You can learn about this and much more in this annual report. Get deep insight into the exciting, eventful world of LUDWIG BECK, presented in a colorful mixture of figures, facts and values. This way you'll get to know who we are, how we think and how we act, and through this you'll get to know where you stand!

Mr. Reiner Unkel   Mr. Dieter Münch

Review of a successful year – Reiner Unkel and Dieter Münch on the backgrounds, facts and emotions of the year 2005

2005: earnings growth, sales increase, cost optimization

Reiner Unkel:
The year 2005 was the year of significant earnings increase, sales growth and cost optimization. After a long dry spell, which proved a difficult time for both our employees and our shareholders, we can finally look back on an overall positive year once again.

Dieter Münch:
The figures speak for themselves! The Group managed to increase its sales overall by € 1.2m to € 101.7m. LUDWIG BECK AG, where the traditional business with the flagship store in the center of Munich, the LUDWIG BECK stores and the fashion warehouse are found, showed a like-for-like sales increase of 2.9 %; our LUDWIG BECK Vertriebs GmbH managed to post a like-for-like sales growth of 5.0 % over the previous year.

Success concept based on two pillars

Reiner Unkel:
There is an entire package of measures behind this success, whose center and pivot point represents our two-pillar strategy. Our traditional flagship store at the center of Munich (Marienplatz) makes up the central pillar. Thanks to selected capital expenditures, an efficient floor space management system, systematic floor space expansion and a consistent implementation of the "trading up" strategy, our department store has become a pearl among fashion stores. The "trading up" strategy, which we started in 2003, has particularly paid off. With the consistent revaluation of our product range we have been able to further expand our leading position in the upscale segment. We hope to continue on this path in an evolutionary process in the coming three to four years as well.

Dieter Münch:
We managed to reap the initial benefits of this work in 2005. The significant sales growth of 5.0 % for the "store of the senses" in the center of Munich (Marienplatz) proves our concept aimed at addressing the brand-conscious customer base, which places great value on quality, individuality and competent consultation.

Reiner Unkel:
The guidelines of this concept are the targeted changes to the product range and the efficient floor space management. Our decision not to provide low-priced product ranges with a simultaneous revaluation of the medium-priced fashion selection as well as a refocusing on an exclusive and high-class fashion range has been a complete success.

Dieter Münch:
A good example of successful product changes in 2005 is our accessories department. This has been clearly revalued according to this principle and showed a sales plus of some 40 % in the lapsed financial year.

Reiner Unkel:
We have also further optimized our second pillar. We have sold three mono-label stores of our LUDWIG BECK Vertriebs GmbH and closed one store, as its performance did not live up to our standards. With the help of this measures package, we managed to consolidate our store business and bring it into positive figures.

Dieter Münch:
Our fashion outlets in Baden-Württemberg unfortunately failed to turn profits. We therefore decided not to renew the already temporary contracts in Kuchen and Hechingen: we had already closed the Hechingen store in August and Kuchen followed in December. On the contrary, the remaining fashion outlet in Parsdorf is running very well.

Re-evaluation of the growth fields

Dieter Münch:
We nonetheless expanded the peak position of our flagship store further in our overall concept in 2005 as well. Some 80 % of sales can meanwhile be traced back the "store of the senses" concept. This trend was managed very deliberately, as there is still a great deal of potential in our traditional driving force at Marienplatz!

Reiner Unkel:
Our exquisite brand and fashion variety has already obtained legendary status and we have made a name for ourselves in Munich and beyond with LUDWIG BECK special product ranges such as classical music and jazz, cosmetics, haberdashery and office supplies.

Dieter Münch:
With our "store of the senses" we offer our customers a world of experience characterized by quality, exclusivity and service expertise. Our store events have also become an indispensable component, with which we are always presenting ourselves to our customers in a new light. For example, we welcomed in the spring with a "store of smiles" at our "Japanese cherry blossom festival" in March 2005 and staged a broad event program on all levels covering the theme of Japan.

Optimization of the cost and efficiency structure

Reiner Unkel:
Looking back at the topics of cost and efficiency optimization, we also achieved a great deal in 2005. The cooperation with suppliers worked well and the so-called "depot contracts" clearly proved their worth. We have been implementing these since 2004 for the purpose of strengthening the cooperation with our suppliers.

Dieter Münch:
In the 2004 and 2005 fiscal years we invested some € 1.1m in our new ERP system and we completed approximately 95 % of the process. We were also able optimize the ERP guidelines such as the exchange of goods, information exchange and merchandizing in the course of these measures.

The LUDWIG BECK share and outlook on 2006

Reiner Unkel:
The past year kicked off future profit growth: using all our might we achieved the profit turnaround! Our measures stuck and the fact that we are on the right path proves that our shareholders have placed trust in us. The price of the LUDWIG BECK share outperformed the DAX in 2005 and showed a value increase of some 30 %. Our investors will therefore be particularly pleased to hear that we will resume a dividend payment for the 2005 fiscal year.

Dieter Münch:
In the coming year we will furthermore continue our extensive reform process, which also includes the qualitative improvement of the inner structures. This will further strengthen our position on the market. In addition to the "trading up" strategy for the flagship store and the continuous optimization of the store structure, this also includes the realignment of the organization set-up to be implemented as of 2006. We will manage our companies through six different areas, which in the future will operate as independent profit centers.

Reiner Unkel:
From this we also expect a clearly positive effect and we remain very optimistic in the coming year. After the very successful year of 2005, we are sure that we will not only reach our sales and earnings targets in 2006 – we clearly anticipate that we will again increase our profit significantly in an unchanged market environment.

Dieter Münch:
LUDWIG BECK will continue its growth path regardless of the sector trend. We will consistently carry on with our strategy and we have set a clear goal: 2006 should prove even more successful than the past year did.

Reiner Unkel:
In closing, I would like to issue a statement on my retirement from the company. In clear understanding with Mr. Münch and the Supervisory Board, I decided to resign as the Chairman of the Executive Board of LUDWIG BECK AG on December 31, 2006 in order to take over the divisional Board perfumeries of Douglas AG in the future. This was not an easy decision for me after nine years at LUDWIG BECK. I am very happy and thankful to have been a part of this very special company for nearly a decade and to have been able to contribute to its success during this time. I was therefore pleased to have been able to help LUDWIG BECK continue to grow with all my heart and soul through the end of 2006. I would like to thank those who have accompanied me along the way.

The company
LUDWIG BECK

Time devoted to the senses

Shopping at LUDWIG BECK is a lifestyle and enjoyable experience rolled into one

When so many unique facets come together, as is the case at LUDWIG BECK, one can say it is a very special magic of shopping. There is for example the case of the flagship store in the heart of Munich at Marienplatz, one of the most beautiful squares in Germany. Just the right place to reach customers from a catchment area with a total of 2.7m residents.

Or the experience known far beyond Munich's borders, this exciting and surprising, never boring shopping world experienced with all senses. Typical shopping at LUDWIG BECK includes the exciting colors, shapes, smells and sounds that welcome shoppers to a "store of the senses". Our customers particularly appreciate our uncompromising attitude on the topics of quality, service and above all exclusivity. The company founded in 1861 by button maker and dress trimmer Ludwig Beck wanted to be more than just a normal department store from the start.

Perhaps it arose from Ludwig Beck's rich experience in the manufacture of trimmings – borders, fringes, lacing or ribbons – that gave us an unusually creative impulse felt even today on every floor of the flagship store. LUDWIG BECK appeals to individuality, curiosity and aspiration, be it with the HAUTNAH cosmetics department with its attached spa area, the presentation of young German designers or a uniquely assembled classical department. We want to spark the passion for shopping. And we want to inspire emotions, be it from good tradition or from the pleasure of design and selling with the senses.

A lot is different at LUDWIG BECK!

Between traditional and modern

1861
The button maker and dress trimmer Ludwig Beck opens a button making and dress hemming workshop in the family-owned estate with 4 assistants and an apprentice as well as a store with 2 saleswomen and an apprentice.

1874
It progresses rapidly. Nearby buildings are bought and the offices expanded.

1876
When the "Kini" calls, there is no stopping an ambitious Munich company. LUDWIG BECK supplies the fairy tale castles of Ludwig II with gold and silver dress trimmings, thus earning him the title of "Royal Bavarian Hofposamentier".

1892
Expansion of the product range. Silks, linens and fashion clothes are added to buttons, haberdashery, trimmings, ribbons and lace.

1921
On the company's 60-year anniversary, LUDWIG BECK already has 61 employees – 44 workers in the commercial area and 17 workmen in engineering.

1938
The hemming workshop "LUDWIG BECK Posamentier" is sold to the textile salesman Gustl Feldmeier. He changes the company's name to "LUDWIG BECK am Rathauseck". The company meanwhile employs 138 workers.

1945
The office building is completely destroyed in the war.

1948
A new start-up with success: The firms "LUDWIG BECK am Rathauseck" and "Textilhaus Feldmeier und Sohn" merge to become "LUDWIG BECK am Rathauseck – Textilhaus Feldmeier KG". The offices are partly rebuilt in their old splendor.

1953
The company meanwhile has 409 employees. Annual sales amount to DM 12.4m.

1954
The economic miracle. Gustl Feldmeier acquires today's flagship store at the center of Munich and takes the most important step for LUDWIG BECK in the company's history. The department store is drastically enlarged and expanded to become a genuine Munich institution.

1965 to 1968
The flagship store is completely redesigned and modernized. The sales floors are expanded.

1971

The upswing sometimes takes place under the surface: LUDWIG BECK opens the basement floor at Marienplatz. Now shoppers can enter directly from the suburban and underground trains.

As of 1972

There is a boom in retail. The first store in a shopping center is opened: right on time for the Olympic Games at Munich's Olympia Shopping Center.

1974

With the collaboration of numerous craftsmen and artists, LUDWIG BECK presents the first "Christmas house" at Marienplatz. This continues to be a part of Munich's Advent tradition to this day.

1978

LUDWIG BECK as a pioneer: the individual working times are established for the meanwhile 840 full and part-time employees.

1986

125 years of Beck!
The fashion company achieves annual sales of DM 132m and employs 860 workers.

1988

The department for classical music, legendary to this day, is opened and enjoys a high profile beyond Munich's borders after a very short time.

1989

LUDWIG BECK expands its music department with "jazz is beck". This climbs to number 1 in Munich in a short time and is legendary to this day.

1990

The newspaper "Petra" presents "the world's most beautiful department stores" in its November issue. LUDWIG BECK am Rathauseck is ranked among Harrods, Galeries Lafayette, GUM and Bloomingdales as the only German department store.

1992

A very special year: LUDWIG BECK becomes a joint stock company, the flagship store at Marienplatz is repositioned as the "store of the senses" with the help of a brand re-launch and a new LUDWIG BECK department store is opened in Cologne.

1996

A strict consolidation strategy is launched…

1997

… and the flagship store at Marienplatz modernized from the ground up.

1998

LUDWIG BECK goes public. The issue price lies at the upper end of the book building range with DM 34.00. The nearly 1.8m shares are oversubscribed approximately ten-fold at the closing of the subscription. The restructuring process is also concluded with the IPO. This successful year ends with a net income of DM 5.2m.

1999

And it gets even better! With a net income of DM 11.3m, 1999 is a new record year in the company's history.

2001
LUDWIG BECK founds LUDWIG BECK Beteiligungs GmbH and takes a majority stake in the real estate at Marienplatz. Through the founding of LUDWIG BECK Vertriebs GmbH, which operates its own stores as a franchisee for different brands, LUDWIG BECK goes on the expansion course with a vertical distribution approach and opens up additional earnings potential.

2002
In the course of the vertical sales strategy, LUDWIG BECK opens mono-label stores in Munich and other cities. The flagship store's fashion department is restructured and the HAUTNAH cosmetics department and the department for lingerie are opened.

2002
The new sales channel is called a "fashion warehouse outlet", which LUDWIG BECK opened up with a store in Parsdorf near Munich.

2003
LUDWIG BECK cannot elude the difficult economic environment and undergoes the most difficult year since its IPO with a net loss of € 1.1m for the year.

2004
In the course of the trading-up process, the different departments of the flagship store are reconstructed and reopened. LUDWIG BECK again achieves a considerable sales plus after recession and sinking demand of the previous years and is able to strongly minimize losses.

2005
LUDWIG BECK is again on the path to success. Numerous successful events such as the HAUTNAH "feel good week" and the "Japanese cherry blossom festival" are very popular with customers and render sales. The company records a net income of € 1.2m and rewards its shareholders for their loyalty and trust even in difficult times with a dividend of € 0,10.

Where LUDWIG BECK sells

Flagship store	LUDWIG BECK BECK mono-labels
LUDWIG BECK "Store of the senses" Munich	Esprit at the OEZ Munich
LUDWIG BECK HAUTNAH at the FÜNF HÖFE Munich	S.Oliver Regensburg
	S.Oliver at the Regensburg-Arcaden
	Vero Moda at the Regensburg-Arcaden

LUDWIG BECK fashion stores	LUDWIG BECK fashion warehouse outlet
LUDWIG BECK at the PEP Munich	LUDWIG BECK fashion outlet Parsdorf/Munich
LUDWIG BECK at the Riem-Arcaden Munich	
LUDWIG BECK at the City-Galerie Augsburg	
LUDWIG BECK at the City-Center Landshut	

The two pillars of growth

"Trading up" at the flagship store and an optimized branch business as a long-term success strategy

LUDWIG BECK has been carrying out a corporate strategy since 2003. This rests on two strong pillars:

- Our most important growth pillar is the multi-label core business at the flagship store, which enjoys an innovative product concept in the upscale segment.
- Our LUDWIG BECK fashion stores, the LUDWIG BECK mono-label stores with successful third-party brands and the LUDWIG BECK fashion warehouse outlets are the second complementary pillar, with which we are able to acquire an additional sales potential in the retail industry.

These provide the best positioning for LUDWIG BECK in all profitable retail segments.

Our flagship store at Marienplatz

The flagship of LUDWIG BECK AG is our flagship store at Munich's Marienplatz. Here we generate 80 % of our sales with about 500 employees on ca. 10,000 m^2. The "store of the senses" represents our traditional business, our most extensive product ranges and our broadly diversified offer. With this we have created an identification point unique to Germany for everyone who enjoys experience-oriented, high-value shopping. The flagship store at Marienplatz is complemented by the exclusive HAUTNAH stores in Munich's FÜNF HÖFE, a shopping paradise in the most attractive location. Here we have successfully expanded the HAUTNAH concept of the flagship store and we once more whisk our customers away to a world for the senses covering everything to do with wellness and beauty.

If one reads comparative analyses of the major retail-department stores, LUDWIG BECK occupies one of the most prominent places in Europe with its "store of the senses". Particularly the emotional customer loyalty and the high image are always being emphasized. The fact that in addition to pleasing figures we also embody an entire range of ideals which truly make our passion of selling possible comes as a long-standing tradition, or one could even say evolution.

This evolution was very concrete given the important investments made and an efficient floor management system in the last few years. We have undertaken many reconstructions and systematically expanded the sales floor. We have been relying on a consistent "trading up" strategy for three years now.

The simple word of "trading up" is bound to the idea that gives our flagship store its remarkable bonus of attractiveness, not only among the people in Munich. The idea behind this: to turn our "store of the senses" into the shining star of German fashion stores with even better product ranges and above all even higher valued products. We sell exclusivity, brand variety, international cult labels, top quality – and always an exciting production that peaks the senses.

Our "trading up" concept works

This strategy, which we have expanded further, has even passed the test in times of a rather weak consumer demand. Creating innovative purchasing incentives in the upscale segment has meanwhile become one of our greatest strengths. Our customers honor this and have secured LUDWIG BECK an untouched top position opposite the market environment. This immense popularity is a source of pride for us. However, we work hard every day to keep this up, for example with attractive house events. We are always offering our customers a reason to stop by: with different experience events, which we organized and solicited together with attractive partners, we are regularly coming up with unique incentives to shop.

Perhaps the HAUTNAH cosmetics department, unique in Europe with its exclusive compilation of products, or the leather goods & accessories department best show how "trading up" is reflected in our sales figures.

And it should stay that way!

We also want to become stronger in the medium-priced and upscale market segment in the future. As such, the leather goods and accessories department is expanding after the success of the past year. Our customers should be excited to see how we will go on emphasizing our already exclusive arrangements.

The residents of Munich love their "store of the senses".

The location: unique in Germany

Half a million visitors from Munich and all over the world cross the city's Marienplatz everyday, making it one of the biggest attractions in all of Europe. Right next to the Munich town hall and across from the fish fountain at the Rathauseck is the "store of senses" – the flagship store of LUDWIG BECK.

The customer: mostly female and well-off

LUDWIG BECK addresses nearly all age groups. However, those between the ages of 29 to 49 are represented the most. 80 % of LUDWIG BECK's customers are female. The largest share among these is the "fashion-conscious spontaneous shopper". Fashion is very important to these women, who are quality-oriented and place value on sophisticated wardrobe. Most are employed, live a communicative lifestyle and are city-oriented.

The image: rousing the senses, emotional, exclusive

Those who shop at LUDWIG BECK at "Marienplatz" take their time, are driven and rouse their senses. Nothing is ordinary. It starts at the always creative window display which is unique in Munich. Our employees address your every need even right up to the store's closing. Furthermore, the many events split up throughout the year and those which have attracted attention to the company effectively anchor LUDWIG BECK in people's minds as the first place to go for exclusive shopping that is full of experiences.

The potential: still not exhausted

The "store of the senses" generates the predominant share of LUDWIG BECK's sales. However, the improvements and expansions of the last few years clearly show that additional valuable potential still exists in this house, which is full of history. We want to take advantage of this potential.

The product range: selected and widely diversified

The flagship store is the perfect symbiosis of lifestyle department store and specialty shop. In a product mix presented as emotionally appealing, all well-known clothing and lifestyle brands are displayed to the visitor on each floor. The customer is automatically led through a constantly new and exciting consumer world. LUDWIG BECK is the market leader in very many of these areas. Just follow us across the aisle through the "store of the senses" and get to know the individual departments:

"Store of the senses" – the product range

Swim fashion

Want a good figure on the beach? No problem with the swimwear fashion from LUDWIG BECK! The year-round availability of swimwear and accessories on our 3rd floor is unusual. We are one of the largest suppliers in the Munich area for everything a beach-goer or swimmer might need: Everything that Designers like Bogner Fire & Ice, Dolce & Gabbana, La Perla or Princess Tam Tam introduce to the market can definitely be found here first!

Knitwear, shirts & pants

On the 2nd floor you will find an impressive selection of colors, designs and materials in knitted diversity – from cozy warm cashmere to light as air cotton. Repeat, Public and Passport are just a few of the brands sold here. Our own t-shirt brand "CLASSICS by LUDWIG BECK" is particularly popular. Right next door the woman wears the pants: Women's pants in all hot variations of the major manufacturers and trend fits between casual, elegant or just leisure wear or exact measures with the expert, friendly personnel. Brands such as MAC, BRAX, Rosner and Cambio always make a good figure.

Lingerie & Dessous

Particularly alluring and delightful is the department which measures the individual basket sizes. We offer you an unrivalled buying experience for the senses over some 400 m^2 on the 1st floor of our clothing store: Brand names such as La Perla, Malizia, DKNY and D&G caress the buyer's consciousness at least as well as the delicate materials and sexy designs caress her skin. Quiet spots with comfortable chairs and relaxing music through headphones make your visit complete.

Designer & Evening Fashion

On the 3rd floor we offer international fashion labels for sophisticated female customers over 800m^2 with a distinct fashion affinity. You can choose from designer collections as Strenesse Gabriele Strehle, St. Emile, Orwell, René Lezard and many more, be it the perfect fit for business, the right style for after-wards or enticing for the evening. What woman would be able to resist? In the winter season we expand our outdoors department to ca. 350 m^2 and present a large selection of international coat and jacket brands such as Max Mara, Cinzia Rocca, Airfield, Dinomoda and Gil Bret. Evening fashion with select models for festive occasions and brands such as Niente, Nicowa or Vera Mont can also be found on the 3rd floor.

Leather goods & accessories

High-value leather products and fashionable accessories for every wallet size: bags, belts, scarves, hats, brooches, hair accessories – our product offering is as diverse as the customer's perception on our sales floor in the basement. You will look forward to seeing international labels such as Mulberry, Mandarina Duck, Lamarthe and Etro. It's nice that LUDWIG BECK has created a one-of-kind product range in Germany with this department.

Plus sizes

On our 3rd floor we show that plus sizes can also be sophisticated and stylish. Brands such as Samoon, Marina Rinaldi, Oui & Co, Elena Mira, Mariella Burani and Sallie Sahne excel whose ever increasing popularity our customers enjoy.

Modern Women combination fashions

Modern Woman – this is how all the fashion-conscious female shoppers of LUDWIG BECK should feel. It is also the name we have given our women's department on the 1st floor: brands such as Betty Barclay, Mexx, Marc O´Polo, More & More, Tommy Hilfiger etc. make the "Modern Woman's" heart beat faster. The versatile range of products above all represents everyday style and is one of the most visited floors of our store.

HAUTNAH cosmetics

Subtle fragrances, trendy makeup and exclusive care products by international cult brands such as Kiehl's, M.A.C., Bobbi Brown or Jo Malone attract both female and male customers. Customers suddenly find themselves swept away to a paradise of lotions, face masks and gentle creams, taken care of by sales people who read their lips to take care of their every need. This exclusive wellness department is accompanied by its own spa area. Here customers experience uniquely relaxing applications with products by Aveda and La Mer. Our personal hair coach Sayuri Tani painstakingly attends to every hair and professional O.P.I experts stand by the nail studio. LUDWIG BECK has created another pillar with its HAUTNAH branches in the Viscardihof of Munich's Shopping-Dorado in the FÜNF HÖFE area. High-quality care products by Aesop, BioCol and Dr. Sebagh elate our customers. This choice product range is complemented by individual perfumes and fragrances by Carthusia, The Different Company, Hotel Costes and Narciso Rodriguez. LUDWIG BECK HAUTNAH in the FÜNF HÖFE area furthermore offers the hair care line of the prominent Düsseldorf stylist Marc Booten exclusively throughout Germany.

Men's fashion

Men never have time to shop! Therefore they can find international men's fashion quickly and easily in an all around department for business and free time tailored to the man. Expert consultants and ambience provide the aura of a high-class specialty shop. Z Zegna, René Lezard or Armani Collezioni in the ready-to-wear slothing industry and Polo Ralph Lauren, Murphy & Nye, Zegna Sport and GANT in the casual area speak the clear language of the exclusive brand spectrum. One of the most extensive men´s underwear departments in Munich is associated therewith.

Young designer fashion

The hunt for young, fresh designers is on! Names such as Belstaff, Girbaud, Boss Orange, Rock & Republic and See by Chloé represent excitement and fun, experiments and exclusivity, creative and unique fashion. The 4th is LUDWIG BECK´s platform for all things new – and the customers want every bit of new! Anyone at a Munich in-party wearing the latest look from London surely didn't get it from there, but rather from the "store of the senses".

Children's fashion

Something playful or something for playing in the mud? Children's fashion at LUDWIG BECK is a favourite for our little ones. On our 2nd floor you can find trendy and practical clothing for kids aged 0 to 14. For our small customers we have for example playful summer clothes from Kenzo. Boys can find classic polo shirts by Polo Ralph Lauren here as well as sporty "Karo"-shirts, jean jackets and hooded sweatshirts by Tommy Hilfiger Kids. The cool back-to-school outfit is from Replay, Diesel or DKNY. And just so there's no boredom in between trying clothes on, we have Gameboys for the little ones as well as a cozy TV corner where they can play.

Paper supplies

Munich's largest selection of wrapping paper. And not just that: everything you can think of having to do with paper or cardboard – from notebooks and hand-made boxes to fancy notebooks handmade in the traditional style – can be found on the 2nd floor. International brands such as Grafiche Tassotti, Moleskine, Roger la Borde and Jordi Labanda satisfy a clientele that considers checks and tests its purchases with time and leisure before making a choice. Or is it just a postcard that you need? More than 1,800 different motifs here invite you to escape the everyday bustle. In addition to Munich's largest Alessi Shop, you will also find the only Süddeutsche Zeitung magazine shop in Germany. We offer you an exquisite selection of exciting trend articles and choice living accessories in exclusive cooperation with the Süddeutsche Zeitung's magazine.

Socks

We give fashion legs: The "store of the senses" has not only earned a solid reputation as Munich's best arranged sock house – there anyone from smart shoppers to luxury-seekers will find all the right sock and stocking products. This extremely successful department with its entrance on Dienerstrasse has everything to make legs more beautiful: beginning with sport socks, delicate silk stockings and seductive straps to women's, men's and children's socks and eccentricities such as support socks and traditional socks for "Oktoberfest".

Music

Any song ranging from classical, jazz and world music, plus an interpreter, conductor, a certain instrumentarium. LUDWIG BECK has that very CD! That is unique, as are our best trained personnel, who always have the sought-after expertise of the more than 120,000 songs available – the largest selection in continental Europe. The classical music department for example generates 1 % of the world market share in this product range. Many conductors and stars of classical music also feel at home at LUDWIG BECK and regularly present new record releases and come to autograph signings and small musical gigs in the department on the 4th floor of Munich´s Marienplatz. The newly opened department for audio books is already the most extensive in all of Munich.

DICHTUNG & WAHRHEIT (Fact & Fiction)

Goethe gave this name to the store right next door to the flagship-store on Burgstrasse. And it has turned out that the enticing combination of exquisite wines and literature has a downright magical appeal to many cultivated customers. Here you will find books outside of the mainstream, southern delicacies and fine wines – mainly from the Garibaldi wine store. If you´re lucky, you can meet artist originals such as Herbert Achternbusch and philosophize with them on the scooping wooden stairs about the meaning of life. DICHTUNG & WAHRHEIT established itself long ago as an institution of Munich's cultural life: many well-known authors enjoy reading from their books and many eagerly await tastings of top wines distributed throughout the year.

Haberdashery "buttoned & sewn up"

This department refers to the roots of the company. Here, in Burgstrasse 7, LUDWIG BECK´s tradition and expertise are made particularly clear. The "store of the senses" is a monopolist and a leader in all of Germany due to the fact that it is hard to find enough of the small sewing tools elsewhere. Every Wednesday afternoon we offer our customers individual knitting instruction and consultation. A huge selection of ribbons in all colors, widths and materials and of fasteners, cords, laces and threads as well as a 12 meter-long wall of wool are evidence of a sales culture, of which we are rightly very proud.

And action!

Experience & sales events at the "store of the senses"

In 2005 we hosted a series of events at the flagship store, which every time presented our product offering from a new, surprising perspective. These colorful shopping events became an indispensable component of our "store of the senses" philosophy long ago. Here are just a few examples:

Beginning of February
"ispovision infield" designer market. At the same time of the ISPO 05, independent German designers presented their unique creations for two weeks and answered customers' questions as individual trend consultants.

In March
"Japanese cherry blossom festival". In cooperation with the traditional Japanese company SHOYA, LUDWIG BECK invited its guests to green tea and sushi as a "store of smiles". Enchanting geishas gave tours through the store and presented Japanese ceramic products, kimonos and numerous prominent origami, calligraphy and ikebana artists.

In April
"As green as it gets". For two weeks LUDWIG BECK presented spring offers of high quality at unbeatable prices on all floors.

In May
The "Wild Poet". T.C. Boyle read from his new novel "Dr. Sex" on a 50s style decorated stage. This event by DICHTUNG & WAHRHEIT, in which the actor Jan Josef Liefers also participated, took place in a sold-out Munich arena with 750 visitors.

In June
"Design Parcours Munich". The Munich designer Angelika Paschbeck presented her textile art installation "handarbeits excesse" in the display window at Marienplatz as well as her new CD compilation. Her design highlights were available only during this time as limited special editions exclusively at LUDWIG BECK.

In October

HAUTNAH "feel good week". Our exclusive cosmetics department offered a complete feel-good and relaxation program in the events period. Here masseuses, make-up artists and fragrance specialists presented their art in workshops and gave important tips.

In Advent

Hearing the bells and rousing the senses.
LUDWIG BECK is Santa Claus. Every year during the Advent season, our flagship store transforms into a fairy tale Christmas landscape. The "Christmas house" took on the aspect of traditional, nostalgic craftsmanship in 2005. For example, the customer was able to see up close how Bohemian Christmas tree decorations come into being or how the Schuh-Bertl makes shoes out of robust leather.

In December

A highpoint for those interested in classical music: star violinist Anne-Sophie Mutter attended an autograph signing in our music department at Marienplatz.

Additional sales in the stores

Complementary to our flagship store, we have further optimized our store concept as a guarantor of growth – the second strategic pillar of LUDWIG BECK. Among this are the LUDWIG BECK stores, the LUDWIG BECK mono-label stores as franchise companies and our LUDWIG BECK fashion warehouse outlet. These three corporate units open up additional sales potential aside from our core business.

LUDWIG BECK stores – good fashion at a good price

We have situated a total of four LUDWIG BECK fashion stores around Munich. Our shopping centers spread over some 1,000 m^2 are deliberately conceived for young, price-conscious shoppers with their offers in the medium-fashion and lifestyle range. The name LUDWIG BECK stands for competent consultation and up to date fashion at moderate prices.

Mono-label stores – the glamour of the brand

One could describe our mono-label stores as a vertical sales channel. They are each centered on a known textile brand and feature great demand and image. Vertical sales channels – manufacture and trade under one brand – apply in the retail industry as growth-heavy competitors in the fight for market shares. As LUDWIG BECK consciously relies on this sales opportunity, we have secured ourselves the chance to even profit from the growth of other brands. We are now represented in this area with a total of four stores – also with the focus on the Bavarian region.

LUDWIG BECK fashion warehouse outlets – outlet is in

We opened an additional sales channel in Parsdorf near Munich in 2002. At our LUDWIG BECK fashion-outlet, located near "Feinkost Käfer" and "Möbelhaus Segmüller", we sell excess supply and special offers. The opportunity to buy extremely attractively-priced brand name textiles directly makes our warehouse outlet a lucrative sales channel, even in its fourth year.

The figures for the senses ...

... can be found in the following part. The success of creative, emotional selling is shown in very concrete numbers.

The stock
&
corporate governance

German stock exchanges had an excellent year 2005

2005 was an excellent year for the stock exchange. Ample returns, considerable price increases and significant profits created a pleasing environment for investors and stock exchange speculators in international financial communities. In light of rapidly rising oil prices, repeatedly increasing interest rates and a level of uncertainty among the world's population due to devastating natural disasters, the performance on the stock markets was a positive surprise for a number of market players.

While crises in the last few years have continued in Germany and the stagnation of the overall economy has already entered its fifth year, the world economy boomed from the US and the Middle East to Eastern Europe, India and China. However, the economic environment was reflected only conditionally in the performance of the individual markets.

US stock markets disappoint investors

The US stock markets were properly paralyzed after a total of 13 interest rate increases in 18 months and have been lagging behind the global upward trend. On the last trading day, the Dow Jones closed with a minus of 67 points and therewith suffered losses of more than half a percent in the course of 2005. The American technology market Nasdaq also delivered a weak performance with an increase of only one percent.

DAX better than the Dow Jones

The German stock market on the contrary turned out to be extremely robust in the face of the country's burdens. One DAX record after the other, a small boom in IPOs, solar shares-a fast seller – the German stock exchange in 2005 brought many investors an excellent performance and thereby greatly exceeded the forecasts, which were released at the beginning of the year. According to a survey by the "Handelsblatt" newspaper among 32 German and foreign banks, analysts in the DAX, the most important German index, assumed a price increase from 4,254 points to exactly 4,558 points. The blue chip index actually increased by a full 27 % and closed at 5,408 points.

Various factors brought about this positive performance, which hardly anyone had anticipated at the end of 2004:

Old Economy shines with high returns

Thanks to an increased profit trend, the wallflowers of past years have become proper market stars. After years of painful upheavals and turnarounds, the major German companies appeared to have improved heavily in their business activities: as such, DAX companies have been able to announce one bout of record earnings after the other. The previously perceived as unattractive old economy stocks above all have brought its investors high returns after heavy profit increases.

The appreciation of the US dollar also exerted a positive effect on the export-oriented German companies. The Euro exchange rate closed with USD 1.18 on December 31, 2005, while USD 1.35 per € was paid at the beginning of the year.

The surprising reelection announcement at the end of May, which triggered a strong summer rally and alone brought investors gains of 14 % up to the time of the Bundestag election contributed to the unexpected comeback of the German blue chips. A final rally in the last weeks of the year also resulted in the blue chip indices positively concluding the 2005 financial year.

Small and mid-cap stocks continue to prove bullish

Not only did the German blue chip stocks show profits, but the small and mid-caps also continued to prove bullish. The MDAX and SDAX showed even better performances in 2005 than the DAX. The MDAX closed on the last trading day with a rise of 36 % to 7,312 points. The SDAX showed an increase of 35 % and landed at 4,249 points at the end of the year.

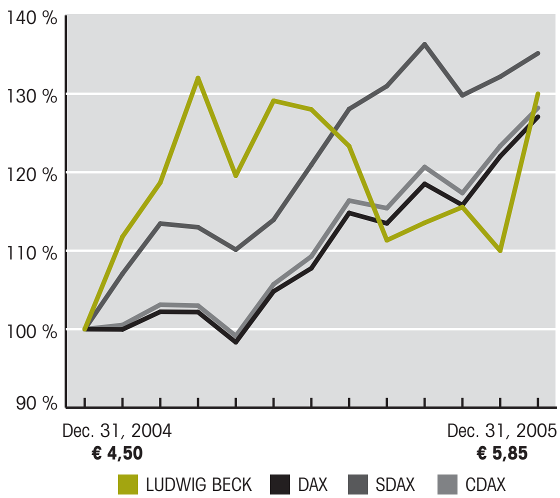
IPOs gather momentum

After years of stagnation, the business with the IPOs also gathered momentum again this year. In addition to prominent names such as Premiere and Praktiker, more than 20 smaller and medium-sized companies with a listing on the "entry standard" also benefited from the newly created segment by the German stock exchange.

The LUDWIG BECK share

LUDWIG BECK shares better than the DAX

LUDWIG BECK share price in comparison



After the consolidation phase, 2005 was a year marked by growth for LUDWIG BECK. The share, listed on the Prime Standard, managed to finish the past year better than the DAX. This was an extremely pleasing in light if the DAX showing its second most successful year in the current decade. After the share closed out 2004 in XETRA with a year-end price of € 4.50, the price had climbed to € 5.85 as of December 31, 2005 and therewith increased by a 30 %. The LUDWIG BECK share experienced its year low right at the beginning of the year on January 3, 2005 with a price of € 4.50. It reached its year high on April 8 with a price of € 6.30. The market capitalization amounted to € 19.7m on December 31. The overall stock market turnover in 2005 was 962,257.

The LUDWIG BECK share at a glance	
Number of shares	3.36m
Year-end price	€ 5.85
Year-high price	€ 6.30
Year-low price	€ 4.50
Market capitalisation	€ 19.7m
Reuters code	ECK
SIN	519 990
ISIN	DE 0005199905
Designated Sponsor	HypoVereinsbank AG Munich
Stock exchanges	Official trading in
	Munich and Frankfurt
	XETRA
	unlisted trading in Berlin, Stuttgart, /Düsseldorf, Hamburg
Segment	Prime Standard

Earnings per share increased considerably

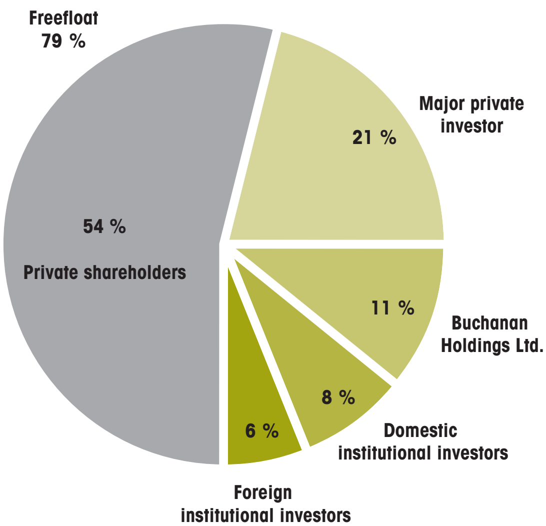
Sparked by the good operating earnings, the LUDWIG BECK share showed a very pleasing, satisfactory price increase in the past year. Based on the good quarterly figures of the lapsed fiscal year, it was possible to consistently convince investors to invest in the company. LUDWIG BECK finally achieved the turnaround in 2005 and has therewith clearly increased the attractiveness for investors. Based on a consolidated net income after minority interests in the amount of € 0.6m, earnings per share come out to € 0.19. This yields a PER of 30.8.

LUDWIG BECK shares are traded on all German stock exchanges (XETRA, Frankfurt, Berlin-Bremen, Düsseldorf, Hamburg, Munich, Stuttgart).

Successful performance continues

The capital market also honors the business performance of the traditional Munich department store with the start to the year 2006: Currently, on March 1, 2006, the company is achieving a market capitalization of € 24.12m with a share price of € 7.18.

Shareholder structure remains constant



as of September 30, 2005

The shareholder structure of the LUDWIG BECK share is analyzed every year. The study from September 30, 2005 was conducted on the basis of 3.23m responses. This equals participation of some 96 %. The composition of shareholders has changed only marginally in comparison to the previous year. Karl Schleicher was still the largest private shareholder on September 30. The free float continues to amount to 79 %. The free float among individual investors has risen from 50 % (2004) to 54 %. The share of institutional investors has thus dropped from 29 to 25 %.

Mr. Karl Schleicher has announced that his voting rights exceeded the 25 % threshold of LUDWIG BECK shares on November 22, 2005. His share of voting rights amounted to 25.00003 % (absolute 840,001 voting rights share).

Return to dividend payment

The operating success of the past fiscal year led LUDWIG BECK back into positive numbers. The Executive and Supervisory Boards will therefore propose the resumption of a dividend payment in the amount of € 0.10 per share at the AGM on May 24, 2006. The return to dividends signalizes that LUDWIG BECK has finally achieved a trend reversal and is a clear sign of the appreciation for the trust the shareholders have placed in the company.

Shareholders' meeting

AGM conducted with 99 % approval

Our invitation to the scheduled AGM on May 30, 2005 was accepted by more than 500 shareholders and shareholder representatives. The AGM took place in Munich. Nearly 46 % of the share capital was represented overall with 1,545,371 shares overall.

The Executive and Supervisory Boards have been discharged and the other items on the agenda were also accepted with an average of 99 % approval. AWT Horwath GmbH Wirtschaftsprüfungsgesellschaft was again appointed as the auditor for the 2005 fiscal year. As with every year, there was an intensive and direct exchange between LUDWIG BECK and its shareholders at the forefront of this year’s AGM.

Investor Relations

Intensive dialogue leads to trust

LUDWIG BECK is in a continuous and open dialogue with its investors. Our aim is to communicate the goals and strategies of the LUDWIG BECK Group to our individual and institutional investors as well as analysts and economic journalists in a comprehensive, open and prompt manner. This active dialogue serves to present the business model and activities of LUDWIG BECK in a realistic light in order to enable an adequate valuation of the LUDWIG BECK share.

As a company of the Prime Standard, we traditionally meet the highest standards of transparent financial market communication. We have been publishing annual and quarterly reports regularly since 1999. In addition to the annual press conference on March 17, 2005 and the AGM in May, we hosted a DVFA analysts’ conference on March 18, 2005. We have furthermore informed the financial community on important developments at LUDWIG BECK on a regular basis with a total of 16 press releases and one director’s dealings report. On our homepage all annual reports since 1998 as well as all quarterly reports published so far can be downloaded.

In the coming financial year, LUDWIG BECK plans to deliver additional improvements in the communication with shareholders and financial market participants as well as the public. Our company’s website is being fundamentally redesigned and will meet all of the technological and content requirements of modern and timely online communication as of mid-March. In the course of a professional LUDWIG BECK capital market communication, we will turn to reliable measures such as investor roadshows, research reports and press conferences. This will help us intensify the relationship with the financial community.

Corporate Governance

All recommendations met

The recognition of principles fosters and deepens the trust of current and future shareholders, customers and employees as well as the public in the corporate management of German companies. Good corporate governance ensures efficient and value adding corporate management and control. For this reason, openness and transparency as well as a regard for shareholder interests are important components of good and responsible corporate management in terms of the code.

Corporate Governance is of great significance at LUDWIG BECK. The German Corporate Governance Code (Code) has complemented the legal provisions with its recommendations and proposals since 2002. This code was expanded in both May 2003 and June 2005. You can find the current wording of the German Corporate Governance Code under www.corporate-governance-code.de.

The Executive and Supervisory Boards at LUDWIG BECK traditionally work together closely for the welfare of the Group. As such, we are able to comply with all recommendations of the German Corporate Governance Code as only a few other German companies are able to do. It is very important to us to inform all relevant interested parties on current developments in the LUDWIG BECK Group in a comprehensive and equal manner through the adherence to all transparency and publicity standards. This allows us to create a level of trust and to strengthen this in a sustainable way.

The Supervisory Board is informed at least once per year on the adherence to principles.

Declaration of Conformity

The Executive Board and Supervisory Board of LUDWIG BECK AG filed the following declaration according to § 161 of the German Stock Corporation Act (AktG) of the German Corporate Governance Code at their meeting on November 24, 2005:

The Executive and Supervisory Boards of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare that they currently and in the future will continue to conform to the recommendations of the "Government Commission for the German Corporate Governance Code" as amended on June 2, 2005, which was made public by the German Ministry of Justice in the official part of the electronic German Federal Gazette.
LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG has conformed to the recommendations of the code as amended on May 21, 2003 since the release of the last declaration of conformity on December 8, 2004.

Munich, November 24, 2005

The Executive Board	**The Supervisory Board**
signed Reiner Unkel	signed Dr. Joachim Hausser
signed Dieter Münch	signed Dr. Eva Annett Grigoleit
	signed Günter Bergmann
	signed Steven Wilkinson
	signed Gabriele Keitel
	signed Eva-Maria Stähle

Remuneration Report

Total remuneration of the Executive Board	fix	variable	D&O	Pension costs	Overall
	€m	€m	€m	€m	€m
Reiner Unkel	334	90	3	152	579
Dieter Münch	255	63	3	111	432

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, represented by the Chairman of the Supervisory Board, agreed upon a remuneration system with the members of the Executive Board, which contains fixed and variable components.

The fixed remuneration is paid in the form of a monthly stipend as a performance-independent base remuneration.

The variable remuneration component (management bonus) is determined annually by the success of the Group. The amount of the variable remuneration component is above all tied to the Group's return on sales and is limited to a maximum sum. Furthermore, the Supervisory Board can grant a special management bonus to the members of the Executive Board to reward special accomplishments.

The remunerations also satisfy the activities for associated companies.

The adequacy of the overall remuneration is geared towards the duties of each member of the Executive Board, their personal performance, the performance of the overall Executive Board and towards the economic situation, the success and the future prospects of the company taking into account the comparable environment.

The total remuneration of the Executive Board amounted to € 1,011k in 2005 (previous year: € 892k). The fixed remuneration accounted for € 589k thereof (previous year: € 617k) and the management bonus accounted for € 153k (previous year: € 0k).

For the Directors & Officers insurance policy (D&O), the company pays premiums in the amount of € 6k and pension costs of € 263k.

Management report

Business and general conditions

Economic situation

Global economy on the upswing

The global economy stabilized in the course of 2005. With a growth rate of 4.3 %, the global economy even showed above-average expansion following the record year of 2004. Favorable financial conditions, high company profits and rising assets made up for burdening factors such as enormously high prices for crude oil and natural catastrophes such as hurricane Katrina.

The US and China continued to be the centers of growth, as their real gross domestic products have continued to increase rapidly. China's rate of expansion continued on its remarkable track in comparison to the US (+ 3.6 %) with a rise in GDP by 9.2 %.

Europe showing a weak economic situation

The economic development of the Euro region on the contrary lagged behind the global upswing. GDP in this region grew by just 1.3 % compared to the previous year. The unusually high oil price and a merely low propensity of private households to consume burdened the economic situation. Last but not least, the low willingness of companies to invest clouded the domestic upswing, though exports did expand once again.

Germany shows good exports and weak domestic demand

The expansion of the global economy also had positive effects on Germany and the economic situation clearly gathered momentum. In 2005 the price-adjusted GDP increased by 0.9 % on average according to Germany's Federal Statistical Office. The economic growth was largely due to the active export activities of the German economy. The economic cycle was likewise supported by a slight devaluation of the Euro.

Private consumption, however, showed only sluggish development and continued its role as the problem child of the German economy. Private consumer spending dropped by 0.3 % according to the German Central Bank. This weakness in consumption, ongoing since 2001, is unique in the German post-war era. The furthermore weak employment and income development was closely linked to this. There was no significant trend reversal in the labor market. The number of insured workers has risen since the beginning of the year, though this is mainly due to the expansion of non-profit working opportunities for recipients of Germany's "Arbeitslosengeld II" unemployment benefit program. Purchasing power and consumer sentiment were also burdened to a sustainable degree by the rise in energy prices. The rise in the private savings rate to 10.5 % is an indication of an ongoing uncertainty and cautiousness of consumers. This figure came out to 9 % at the end of 2000.

Retail trade

Bad sentiment and lower sales figures

After 13 years of declining sales, the economic environment of the textile industry has again failed to recover in 2005. According to the trade journal "TextilWirtschaft" (TW), the textile retail trade closed out the year with a minus of 2 % from the previous year. The development improved slightly compared to the previous year (minus 3 %), though a trend reversal is not yet in sight. Department stores were faced with the largest sales losses in real terms according to the Federal Statistical Office. As in the previous year, 2005 saw fewer consumers. The number of customers sank 2 %.

LUDWIG BECK contrary to the sector development

The LUDWIG BECK Group performed contrary to the sector development in the lapsed fiscal year. With a considerable sales and earnings increase, the business development of the Group exceeded expectations. The positive result is due to the consistent implementation of a clear strategic orientation, which rests on a continuous upgrade and individualization of the product range at the flagship store as well as an adequate consolidation of the branch store business.

Group structure

Organizational and legal structure

In addition to LUDWIG BECK AG, the LUDWIG BECK consolidated financial statements include the 100 % subsidiaries LUDWIG BECK Beteiligungs GmbH and LUDWIG BECK Vertriebs GmbH.

LUDWIG BECK AG includes the traditional business with the flagship store at Marienplatz, the LUDWIG BECK stores and the LUDWIG BECK fashion warehouse outlet in Parsdorf. The company consisted of a total of five stores in and around Munich and a fashion outlet in Parsdorf near Munich at the end of the fiscal year. The number of AG stores has remained constant in comparison to the previous year, though the number of outlets was reduced to just Parsdorf due to the closing of two locations in Kuchen and Hechingen.

The franchise activities of the LUDWIG BECK Group are bundled in LUDWIG BECK Vertriebs GmbH. After the sale of three stores in April and the closing of a store in December 2005, the company included four mono-label stores at the end of the fiscal year.

LUDWIG BECK Beteiligungs GmbH owns a majority holding of 50.1 % in Feldmeier GmbH & Co. Betriebs KG and 50.2 % in its full liability partner, LUDWIG BECK Verwaltungs GmbH. Feldmeier GmbH & Co. Betriebs KG is the property owner of the company's flagship store at Munich's Marienplatz.

Product range structure and sales markets

The Group operates its over-the-counter retailing under the LUDWIG BECK brand and under third-party brands (franchise/mono-label). The sales market is limited to the Bavarian region. The focus of activities lies on the flagship store at Munich's Marienplatz. The product range primarily consists of textile trade and non-textile products such as perfume and cosmetic products or leather goods and accessories.

Group strategy

The name LUDWIG BECK has stood for high quality, creativity and modernity since the founding of the flagship store in 1861 by the button maker and dress trimmer Ludwig Beck. With our key account marketing strategy and thanks to the one-of-a-kind location at Marienplatz in the heart of downtown Munich, we have grown to become one of the most innovative retail companies in Germany. Our success relies on a clearly defined and consistently implemented "two pillar" strategy.

The main store at Marienplatz

Our main store at Marienplatz continues to be the central pillar. This store generates some 80 % of overall sales. Our customers honor the fact that we combine the strengths of the department store and the specialist retailer, as at the "store of the senses" our visitors expect the product range expertise of a large store retailer and the individual care and consultation of a specialist retailer. We have furthermore been pursuing the strategy of "trading up" for the last three years and we are systematically supplementing our product range offering with individual, high-valued brands. A visit to the "store of the senses" should be a very special experience for our customers, on the one hand through our qualitatively sophisticated, exclusive and individual brand offer, and on the other hand through a multitude of store events which we are constantly organizing with exciting themes.

The branch stores

The branch store concept efficiently complements our Group strategy. With the three arms of LUDWIG BECK branch stores, the mono-label store and the fashion warehouse outlet, we are addressing the purchasing power in the suburban areas of Munich and generating additional sales potential. Contrary to our brand portfolio at Marienplatz, here we consciously focus the offer on the medium-price range and thus meet the demands of our price-conscious customers. Our multi-label stores and the fashion warehouse outlet in Parsdorf profit from the good image, for which the name LUDWIG BECK stands.

Internal control system

At the LUDWIG BECK Group we rely on enterprise resource planning analyses as a system of control on a daily basis. These are broken down with a cost center and article number system with the exception of department and season sizes. This provides all the necessary information for controlling product ranges, inventories and the arrangement of the sales floors.

Personnel

Moderate workforce reduction despite closing of stores

On a yearly average, the LUDWIG BECK Group employed 540 workers (previous year: 586). The equals a 7.8 % drop from the previous year. With 57 interns, which were not included in the calculations of staff numbers, our training standard remains at a high level for enabling the recruitment of our staff from the company's own ranks in the future.

The weighted number of employees in the Group overall sunk to 401 on average in the year 2005 (previous year: 437). The main reason for this decline was the return of four mono-label stores to the manufacturers and the closing of two fashion warehouse outlets in Kuchen and Hechingen.

Cost optimization without operational cancellations

Personnel expenses dropped to € 17.6m in the fiscal year (previous year: € 18.7m). As such, the share of personnel expenses in net sales also declined from 21.6 % in 2004 to 20.0 %.

Our employees are our capital

The quality of our employees is one of our elementary success factors, as their expertise in taking care of and consulting the customer is particularly important to us. In addition to the vocational school, we therefore offer the interns in our qualified training program an intensive support system in their practical everyday life as well as the support of "training mentors".

Last year we organized a special training seminar for our managers. This helped them to deepen their knowledge of professional contact with store visitors and taught them the customer-oriented leadership qualities of every individual. The goal was to improve the first contact with customers and increase the quality of sales conversations. We have summarized the results developed in this seminar in a guideline, with the help of which our managers will be able to pass on their acquired skills to the employees in their departments.

There is a great bond between the LUDWIG BECK staff. As such, we again celebrated many extraordinary long-standing staff memberships with the company last year in the scope of a large festival. One employee celebrated his 45-year anniversary and eight employees celebrated 35 years with the company. We furthermore honored eleven employees for their 25-year commitment to the company.

We thank all of those celebrating anniversaries for their loyalty to the company and their tireless efforts. At this point we would also like to thank all remaining employees for their dedicated motivation and loyalty to the company, also in the difficult times. We would also like to extend our thanks to our worker's councils, who through their mediation between management and staff contributed to LUDWIG BECK having made the right decisions.

Marketing

More than just a department store

As a "store of the senses", we not only offer our visitors fashion and cosmetic projects, here the customers dive into a world of exciting experiences that makes shopping a very special occasion. Our store events contribute to this. We have held these four times a year since 2004 as well as many other events such as experience markets, fashion presentations, exhibitions, readings and musical performances.

From the "store of smiles" to the "Christmas house" – the LUDWIG BECK event weeks

The company kicked off the year 2005 with a countries theme: the "store of smiles" opened its doors in March and was dedicated to the "Japanese cherry blossom festival" on all five floors. For approximately three weeks we staged a wide culinary and cultural program covering the topic of Japan together with our partner SHOYA. As in the past year, we repeated our value-for-money campaign "As green as it gets" with great success in April 2005. During the "feel good week" in October, the HAUTNAH department of our flagship store was presented for the first time as a wellness and spa oasis in a compact event. The annually recurring "Christmas house" is known well outside of Munich's borders and also brought about pleasingly high visitor numbers in winter 2005. A further highlight of the past year was the reading with T.C. Boyle in Munich's "Reithalle" in May 2005, which was organized by our DICHTUNG & WAHRHEIT department in cooperation with the women's magazine "Brigitte" and Hanser Verlag.

Do good things and talk about it – open communication with the media

Our events were accompanied by active public relations. Our PR measures are an important component of corporate communication. A close collaboration with the media fields relevant to us is a given. We communicated all events involving LUDWIG BECK in a timely and transparent manner through press releases and in personal interviews. Through the active dialogue with the editorial staff we were able to repeatedly position our unique product range and brand variety successfully in the media and thus act as a trend-setter. As such, we achieved an optimal result with an efficiently utilized budget and measures carefully conceived and coordinated.

EARNINGS SITUATION

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 - December 31, 2005, acc. to IASB

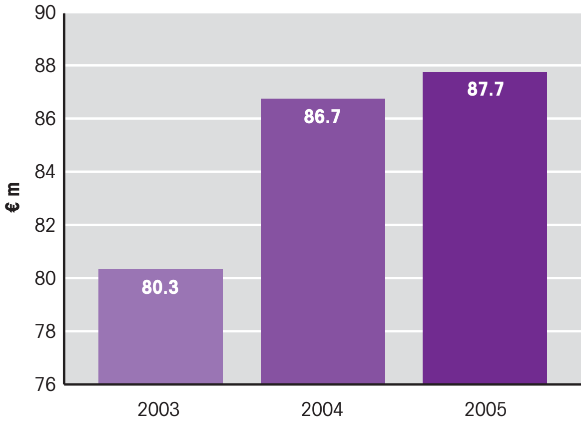
	2005		2004	
	€m	**%**	**€m**	**%**
Sales revenues	87,668	100.0	86,660	100.0
Own work capitalized	23	0.0	31	0.0
Other operating income	2,634	3.0	2,732	3.2
	90,325	**103.0**	**89,423**	**103.2**
Cost of materials	46,716	53.3	46,474	53.6
Personnel expenses	17,566	20.0	18,742	21.6
Depreciation	3,791	4.3	3,774	4.4
Cost of office and store space	8,619	9.8	9,180	10.6
Administration expenses	1,998	2.3	2,171	2.5
Sales expenses	4,144	4.7	4,193	4.8
Other personnel expenses	692	0.8	768	0.9
Insurance/contributions	234	0.3	240	0.3
Other taxes	111	0.1	90	0.1
Other expenses	704	0.8	524	0.6
	16,502	**18.8**	**17,166**	**19.8**
EBIT	**5,750**	**6.6**	**3,267**	**3.8**
Financial result	-3,987	-4.5	-3,951	-4.6
EBT	**1,763**	**2.0**	**-684**	**-0.8**
Deferred taxes	566	0.6	-436	-0.5
Consolidated net income before minority interests	**1,198**	**1.4**	**-248**	**-0.3**
Gross margin	40,952		40,186	
EBITDA	9,541		7,041	
EBITDA margin (EBITDA/sales revenues)	10.9 %		8.1 %	
Return on sales (EBT/sales revenues)	2.0 %		-0.8 %	

Sales development

- Sales increase on a Group level to € 101.7m – 1.2 % growth despite negative sector development
- AG sales at € 93.4m – significant increase of 2.9 %
- Flagship store clearly exceeds forecast expectations – sales increase of 5 %
- Increasing concentration on Marienplatz – share of overall sales at 80 %
- LUDWIG BECK Vertriebs GmbH shows sales increase of 5.0 % on a like-for-like basis; decline in overall sales due to abandonment of a site

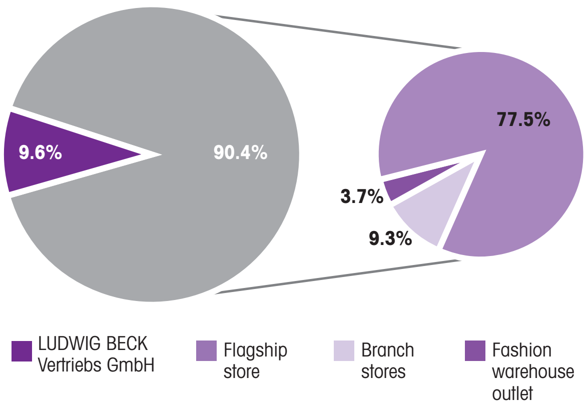
Despite the difficult situation within the sector in the lapsed fiscal year, we managed to generate gross sales within the LUDWIG BECK Group of € 101.7m. Compared to € 100.5m in the 2004 fiscal year, this equals an increase of € 1.2m or 1.2 %. Net sales revenues rose to € 87.7m (previous year € 86.7m). Sales on a like-for-like basis rose by 3.1 %. The figures are therewith in line with our growth forecasts announced at the beginning of the year. In light of the difficult economic situation of the sector as well as drastic measures in the course of the consolidation of our branch store business, the sales development within the Group nonetheless exceeded our expectations.

Consolidated sales development (net)

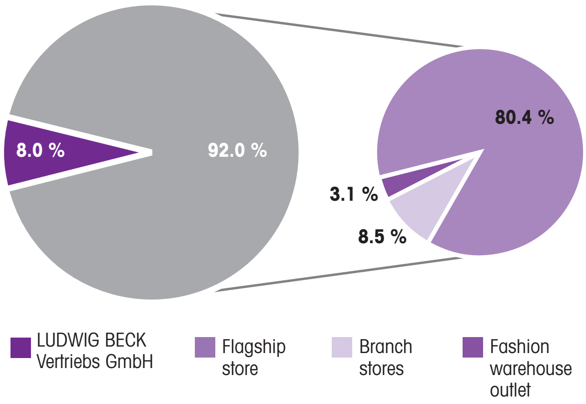


The sales split is as follows: Within LUDWIG BECK AG and with the flagship store at Marienplatz, the LUDWIG BECK branch stores and the LUDWIG BECK fashion warehouse outlet, we achieved total sales in the amount of € 93.4m. LUDWIG BECK Vertriebs GmbH, in which mono-label stores of well-known brands are offered (s.Oliver, VeroModa, ESPRIT), sales in the amount of € 8.1m were reported. The sales share of LUDWIG BECK AG of overall sales was approximately 92 %, for which LUDWIG BECK Vertriebs GmbH accounted for a total of 8 %.

2004 sales distribution



2005 sales distribution



Our flagship store at Munich's Marienplatz was the growth driver which dominated with reported sales of € 81.6m. This equals a sales plus of € 3.9m or 5 % compared to the previous year. The flagship store's share of overall sales was thus approximately 80 % and rose by 2.9 percentage points from previous year. This sales split explains the increasing concentration of all business activities on our traditional department store at Marienplatz. A substantial reason for the pleasing sales increase at Marienplatz is the consequent expansion of departments generating high sales figures and the permanent implementation and further development of innovative product range concepts. An example of a successful product change in 2005 is the LUDWIG BECK pants department. This has been strongly upgraded according to the principle of the "trading up" strategy and showed a significant sales plus in the lapsed fiscal year. The development of cosmetics also proved the success of our extraordinary, innovative product range strategy. LUDWIG BECK's cosmetic offering captivates through the individual combination of exclusive, selected brands. Here we managed to increase sales by 18.4 % overall. The share of non-textile products also increased further in 2005 through the strongly positive sales development in this area.

The LUDWIG BECK fashion warehouse outlet at its three locations did not perform according to plan in the lapsed fiscal year. Overall sales show a decline in the amount of € 0.6m and lie at € 3.1m. The reason for the declining sales trend is the closing of both unprofitable locations in Hechingen and Kuchen in August and December 2005, respectively.

At LUDWIG BECK Vertriebs GmbH, we suffered a significant sales decline. Due to the sale of three Tommy Hilfiger stores and the closing of one s.Oliver store, we achieved overall sales of € 8.1m at the mono-label stores. This corresponds to a drop of 15.6 %. Through the discontinuation of a total of four mono-label stores in Kempten, Memmingen and Munich, overall sales of LUDWIG BECK Vertriebs GmbH declined, though the remaining stores managed to achieve a sales plus of 5.8 %.

Earnings situation

- Increase in gross profit by 1.9 % from € 40.2m to € 41.0m
- Improvement in gross profit margin to 46.7 %
- Significant cost reduction of € 1.8m to € 37.9m
- EBIT increases over-proportionately to € 5.8m – increase of 76.1 %
- Net income rises significantly to € 1.2m

As a result of the positive sales development in 2005, the Group's gross profit rose 1.9 % from € 40.2m to € 41.0m. The gross profit margin was thus 46.7 % and improved by 0.3 percentage points compared to the previous year (46.4 %).

The cost of materials ratio improved over the previous year by 0.3 % and came out to 53.3 %. Total cost of materials amounted to € 46.7m in 2005 (previous year € 46.5m).

Other operating income from rent and allocated rent costs as well as income from administration, sales and personnel activities and canteen revenues dropped slightly by € 0.1m and amounted to € 2.6m in the full fiscal year (previous year € 2.7m).

Operating expenses were reduced overall by € 1.8m or 4.6 % from € 39.7m to € 37.9m as a result of the continuous cost and efficiency optimization. Personnel expenses sank by € 1.2m from € 18.7m to € 17.6m. The share of personnel expenses in net sales now amounts to 20.0 % (previous year 21.6 %).

The cost ratio (expenses against corresponding income) improved overall by 2.4 percentage points and with 40.2 % was clearly below the previous year (42.6 %).

EBITDA improved to € 9.5m (previous year € 7.0m). The EBITDA margin based on net sales reached 10.9 % in the lapsed fiscal year (previous year 8.1 %).

EBIT also rose over proportionately and reached € 5.8m after € 3.3m in the previous year. This corresponds to an increase of 76.1 %. Based on net sales, this equals 6.6 % compared to 3.8 % in the 2004 fiscal year.

The financial result amounted to € -4.0m, equal to an unchanged level year-on-year. Based on increased net sales, this equals a ratio of 4.5 % (previous year 4.6 %).

Profit before income taxes and minority interests amounted to € 1.8m compared to € -0.7m in the 2004 fiscal year. Overall we generated a net income before minority interests in the amount of € 1.2m in the 2005 fiscal year as a result of the higher sales, an increase in the gross margin and a considerable improvement in the cost ratio. Compared to the previous year with € -0.2m, an improvement of € 1.4m results. Net income after minority interests amounts to € 0.6m.

Earnings per share in the 2005 fiscal year reached € 0.19 and thus lie € 0.43 over the previous year's EPS figure (€ -0.24).

Taxes

In the 2005 fiscal year, total tax expenses in the amount of € 0.6m (previous year's tax income € 0.4m) were accrued. Of this, € 0.5m (previous year € 0.4m) apply to non-cash deferred taxes, which due to temporary differences between the commercial balance sheets according to IFRS and the tax balance sheets of the Group's individual members as well as the change in tax carry forwards had to be recognized. In the framework of the legal minimum taxation, € 0.1m in non-cash income taxes were accrued in 2005 for the first time.

The tax carry forward of LUDWIG BECK AG amounted to € 10.6m as of December 31, 2005 (previous year € 11.9m) for trade tax and € 16.7m (previous year € 17.9m) for corporate taxes. LUDWIG BECK Beteiligungs GmbH's corporate tax loss carry forward amounted to € 0.8m (previous year € 0.7m) as of December 31, 2005.

Financial situation

The finance policy is directed at the securing of Group financing with simultaneous minimization of financing costs. Most of the non-operational risks are to be excluded.

Liabilities to banks as of the balance sheet date amounted to € 47.3m. Of this, € 12.3m can be classified as short-term and € 35.1m as long-term. The short-term share thus equals 25.9 % of the overall funds. As of December 31, 2005 there were total current account credit lines of € 18.0m from the banks. These were utilized to 68 % as of the balance sheet date. The portion utilized bears interest customary in the market. The interest rates were between 4.0 % and 8.0 %.

The credit lines for the 2006 fiscal year are secured in the area of short-term financing. The banking consortia have made the respective commitments until further notice.

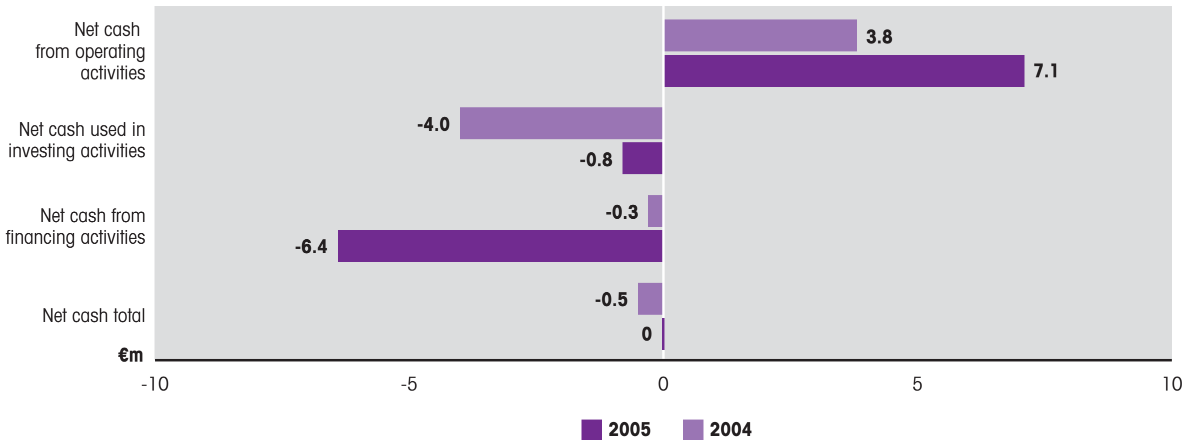
Other financing measures primarily exist through leasing contracts (€ 4.2m) and loans from non-banks (€ 3.0m).

The accounting of trade liabilities is made in the amount repayable. Due to the short terms of payments of these liabilities, this amount equals the market value of liabilities. Payment to suppliers is usually made within 10 days in order to make use of the cash discount deduction, whereas the time for allowed payment usually comprises 60 days.

Cash flow

The cash flow from operating activities increased significantly to € 7.1m (previous year € 3.8m) in 2005. This is primarily attributable to the strong improvement in net income (€ +2.4m year-on-year) and reduced inventories (€ +1.0m year-on-year). The cash used in investing activities amounted to € -0.8m in 2005 (previous year € -4.0m). The positive operating performance enables us to make a considerably higher repayment of bank liabilities compared to the previous year. The cash flow from financing activities amounted to € -6.4m in total (previous year € -0.3m).

Cash flow development



Investment and finance

Capital expenditures in the LUDWIG BECK Group amounted to € 1.6m in the 2005 fiscal year and thus remained significantly below the previous year's value of € 4.7m. The capital expenditures primarily apply to our enterprise resource planning system as well as the reorganization of the pants department in our flagship store in Munich.

The liquidity figures show a slight improvement over the previous year, though they continue to remain at a relatively low level.

Development of key liquidity figures as of Dec. 31		2005	2004
Cash ratio	Cash and cash equivalents / Short-term liabilities	0.03	0.03
Quick ratio	Monetary current assets / Short-term liabilities	0.11	0.10
Current ratio	Current assets / Short-term liabilities	0.60	0.55

Asset situation

Balance sheet structure

- Balance sheet total largely constant with € 108.1m
- Liabilities reduced by 7.2 %
- Equity ratio improved by 2.1 %

The Group's balance sheet total had dropped as of the balance sheet date by 4.1 % to € 108.1m (previous year € 112.6m). While assets continue to be dominated by the property, plant and equipment including the main store at Marienplatz, which account for 82.2 % (previous year 81.8 %) of the balance sheet total with € 88.9m (previous year € 92.1m), short-term assets, and here inventories in particular, dropped 8.2 % to € 11.4m (previous year € 12.4m). The company possessed cash and cash equivalents in the amount of € 0.5m as of the balance sheet date (previous year € 0.6m). Trade receivables and other assets also remained at the same level with € 0.8m (previous year € 0.9m).

Balance sheet structure as of Dec. 31	2005		2004	
	€m	%	€m	%
Short-term assets	11.4	10.5	12.4	11.0
Long-term assets	96.7	89.4	100.2	89.0
Total assets	**108.1**	**100.0**	**112.6**	**100.0**
Short-term liabilities	19.1	17.7	22.5	20.0
Long-term liabilities	56.1	51.9	57.8	51.3
Shareholders' equity	32.9	30.4	32.3	28.7
Total liabilities	**108.1**	**100.0**	**112.6**	**100.0**

In terms of the liabilities side, shareholders' equity increased to € 32.9m (previous year € 32.3m) due to the positive net income. The equity ratio therewith increased to 30.4 % (previous year 28.7 %). The positive business development and the strong cash flow associated therewith furthermore allowed us to significantly reduce the short-term liabilities to banks. These dropped 23.1 % to € 12.3m (previous year € 16.0m). Long-term liabilities to banks are primarily due to the property at Marienplatz and are secured by corresponding mortgages. The share of short-term liabilities dropped in the lapsed fiscal year to 28.8 % (previous year 31.5 %).

Key balance sheet figures as of Dec. 31		2005	2004
		%	%
Equity ratio	Shareholders' equity / Balance sheet total	30.4	28.7
Structure of debt	Short-term liabilities / Liabilities	25.4	28.0

Supplementary report

Significant events after the balance sheet date

On January 25, 2006 we announced the following events taking place after the balance sheet date:

Press release

LUDWIG BECK Chairman of the Executive Board Reiner Unkel to transfer to Douglas in 2007

Decision made with the full support of the Supervisory Board

Munich, January 25, 2006 – Reiner Unkel, Chairman of the Executive Board of LUDWIG BECK AG, will end his service on December 31, 2006 with the understanding of the company in order to take over as Chairman of the Perfumery division on the Executive Board of Douglas Holding AG. Until then Unkel will consistently continue his activities and actively continue down the path to profit pursued in 2005.

"With Reiner Unkel this company is losing a personality which gave the fashion Group important impulses. Together with his fellow Executive Board member Dieter Münch, he turned LUDWIG BECK into a Munich institution over the course of his 9-year tenure and brought the company back on the path to success in the past year. We would like to thank him for his efforts and we wish him the best in this new, exciting role", said Dr. Joachim Hausser, Chairman of the Supervisory Board of LUDWIG BECK AG.

The Supervisory Board will be intensively involved with Unkel's successor in the coming weeks and months. A final decision on his successor will most likely occur in Q2.

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.

The tools are subject to ongoing optimization in order to sufficiently accommodate structural changes.

In addition to the general business risk, the company is also exposed to the following 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 direction 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 risks 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 the fiscal year 2006, 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.

Forecast report

Economic cycle improvement and positive consumer sentiment

After a continuously restrained development in 2005, the retail sector began with encouraging signals going into 2006. The considerably improved consumer sentiment had only been reflected in slightly higher sales of the Christmas business, though it allowed for hopes of an end to the buying reluctance and an at least moderate rise in sales despite or possibly even because of the upcoming VAT increase in 2007.

Support for this comes from the general development of the economic cycle. As such, the Ifo Institute recently increased its growth forecast for 2006 to 2.0 % and other economic research institutes anticipate growth of up to 1.8 %. Private consumption will thus rise by some 0.4 % in real terms.

This optimism is supported by the forecasts of GfK (research company of consumer trends). The consumer climate in Germany should show a positive development again for the first time since the long-standing stagnation. Financial analysts, companies and other economic research institutes also forecast a similarly positive sentiment for 2006.

We expect a continuation the higher momentum of the domestic economy and overall economic growth in 2007. To what extent the VAT increase as of January 1, 2007 will have an effect on the earnings situation in the 2006 and 2007 fiscal years is still uncertain. In the scope of improving general conditions, we also see a continuation of the success trend of the Group beyond 2006 .

LUDWIG BECK continues to rely on growth

At LUDWIG BECK we are assuming a continuance of the positive performance of the past year as well as growth in the current fiscal year that is clearly stronger than the overall market.

We will thus continue to concentrate on the implementation of our "trading up" strategy and growth at the flagship store. The increasing focus on high-quality textiles and related products, for example from the HAUTNAH department (cosmetics, perfumery and wellness) or leather goods and accessories, is a significant pillar of our strategy.

Furthermore, we will also actively practice a stringent cost management in the future and thereby turn the positive business performance into over-proportional profit growth.

Given the consistent implementation of our "trading up" strategy combined with an interesting product range and brand mix as well as extremely dedicated employees, we are confident that LUDWIG BECK will continue to be successful in 2006.

Munich, in February 2006

The Executive Board

Financial information

Consolidated balance sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, on December 31, 2005, acc. to IASB

Assets		Dec. 31, 2005	Dec. 31, 2004
	Appendix	€k	€k
A. Short-term assets			
I. Cash and cash equivalents	(1)	548	590
II. Receivables and other assets	(2)	1,519	1,614
III. Inventories	(3)	9,320	10,195
		11,387	12,399
B. Long-term assets			
I. Property, plant and equipment	(4)	88,868	92,092
II. Intangible assets	(4)	2,825	2,620
III. Deferred taxes	(5)	4,823	5,366
IV. Other assets	(6)	152	157
		96,668	100,235
		108,055	112,634

Shareholders' equity and liabilities	Appendix	Dec. 31, 2005 €k	Dec. 31, 2004 €k
A. Short-term liabilities			
I. Liabilities to banks	(7)	12,249	15,958
II. Trade liabilities	(7)	2,116	2,294
III. Accruals	(8)	17	17
IV. Other liabilities	(7)	4,713	4,243
		19,095	**22,512**
B. Long-term liabilities			
I. Liabilities to banks	(7)	35,076	37,636
II. Accruals	(8)	976	987
III. Other liabilities	(7)	6,571	5,692
IV. Deferred tax liabilities	(9)	4,504	4,553
		47,127	**48,868**
C. Potential compensation claim by minority shareholders	(10)	8,939	8,933
D. Shareholders' equity			
I. Subscribed capital	(11)	8,590	8,590
II. Reserves	(11)	8,382	8,201
III. Net income	(11)	451	0
IV. Supplementary item from minority interests	(11)	15,471	15,530
		32,894	**32,321**
		108,055	**112,634**

Consolidated income statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 - December 31, 2005, acc. to IASB

		Jan. 1 - Dec. 31, 2005		Jan. 1 - Dec. 31, 2004	
	Appendix	€k	€k	€k	€k
1. Sales revenues	(12)				
- sales (gross)		101,671		100,509	
- minus sales tax		14,003	87,668	13,849	86,660
2. Own work capitalized	(13)		23		31
3. Other operating income	(14)		2,634		2,732
			90,325		**89,423**
4. Cost of materials	(15)	46,716		46,474	
5. Personnel expenses	(16)	17,566		18,742	
6. Depreciation	(17)	3,791		3,774	
7. Other operating expenses	(18)	16,502	84,575	17,166	86,156
8. **EBIT**			**5,750**		**3,267**
9. **Financial result** of which financing expenses: € 3,993k (previous year: € 3,957k)	(19)		**-3,987**		**-3,951**
10. **EBT**			**1,763**		**-684**
11. Taxes	(20)		565		-436
12. **Consolidated net income (previous year – loss) before minority interests**			**1,198**		**-248**
13. Minority interests	(21)		568		543
14. **Consolidated net income (previous year – loss) after minority interests**			**630**		**-791**
15. Transfers to/from reserves	(22)		-179		791
16. **Unappropriated consolidated net income**			**451**		**0**
Earnings per share (undiluted and diluted) in €	(23)		0.19		-0.24
Average number of outstanding shares in thousands			3,360		3,360

Consolidated equity statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 - December 31, 2004

	Subscribed capital	Capital reserves	Accumulated earnings	Supplementary item from minority interests	Total
	€k	€k	€k	€k	€k
Balance as of Jan. 1, 2004	8,590	7	8,986	15,563	33,146
Consolidated net loss after minority interests	0	0	-791	0	-791
Change in supplementary item	0	0	0	-33	-34
Balance as of Dec. 31, 2004	**8,590**	**7**	**8,195**	**15,530**	**32,321**

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 - December 31, 2005

	Subscribed capital	Capital reserves	Accumulated earnings	Supplementary item from minority interests	Total
	€k	€k	€k	€k	€k
Balance as of Jan. 1, 2005	8,590	7	8,195	15,530	32,321
Consolidated net loss after minority interests	0	0	631	0	631
Change in supplementary item	0	0	0	-59	-59
Balance as of Dec. 31, 2005	**8,590**	**7**	**8,826**	**15,471**	**32,894**

Consolidated cash flow statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 - December 31, 2005, acc. to IASB

	Jan. 1,2005 - Dec. 12, 2005	Jan. 1, 2004 - Dec. 12, 2004
	€k	€k
Group net income (previous year -loss) before minority interest and taxes	1,763	-685
Adjustments for:		
Depreciation of fixed assets	3,791	3,774
Write-ups of fixed assets	0	0
Increase/decrease (+/-) in long-term accruals	-11	-11
Other non-cash expenditure/income (+/-)	0	0
Financial income	-6	-5
Interest expenses	3,993	3,956
Operating result before changes to working capitalns	**9,530**	**7,029**
Loss/profit (+/-) from disposal of fixed assets	19	0
Increase/decrease (-/+) in short-term assets:		
Inventories	874	-161
Trade receivables	32	-162
Other assets, prepaid expenses	69	47
Increase/decrease (+/-) in liabilities:		
Trade payables	-177	856
Other liabilities	674	116
Increase/decrease (+/-) in short-term accruals	0	2
Net cash from operating activities (before interest payments)	**11,021**	**7,727**
(to be continued ...)		

	Jan. 1,2005 - Dec. 12, 2005	Jan. 1, 2004 - Dec. 12, 2004
	€k	€k
Net cash from operating activities (before interest payments)	**11,021**	**7,727**
Interest paid	-3,987	-3,951
Interest received	6	5
Net cash from operating activities	**7,040**	**3,781**
Proceeds from disposal of fixed assets	821	690
Disbursements for additions to fixed assets	-1,609	-4,682
Net cash used in investing activities	**- 788**	**- 3,992**
Disbursements to minority interests	-620	-667
Acceptance of bank liabilities	0	3,000
Acceptance of interest-bearing loans	1,528	1,500
Repayment of bank liabilities	-6,275	-3,913
Acceptance/repayment (+/-) of finance leases	-927	-232
Net cash from financing activities	**-6,294**	**-312**
Change in cash and cash equivalents	-42	-523
Cash and cash equivalents at beginning of fiscal year	590	1,113
Cash and cash equivalents at end of fiscal year	**548**	**590**

Contents

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 whole sale 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, 2005 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 2005 were complied with.

The consolidated balance sheet of LUDWIG BECK AG was drawn up as of the balance sheet dates December 31, 2005 and December 31, 2004. The respective consolidated income statement, consolidated equity statement, consolidated cash flow statement and the notes to the consolidated financial statements include the periods from January 1, 2005 to December 31, 2005 and from January 1, 2004 to December 31, 2004. The balance sheet dates of the consolidated companies are identical. A consolidated management report has been prepared.

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. Consolidation principles

I. Consolidated group

In addition to LUDWIG BECK AG as a 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.

II. Consolidated balance sheet date

The consolidated balance sheet of LUDWIG BECK AG was prepared as at December 31, 2005. The consolidated income statement, the equity statement and the cash flow statement include the period from January 1, 2005 to December 31, 2005. 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.

Other shareholders' minority interests in equity capital and net income were accounted for on the one hand by a potential compensation claim for minority shareholders as a liability and on the other hand by supplementary items from minority interests in equity. The accounting is in accordance with IAS 32 and IAS 1 improved.

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

Inter-company sales and other operating incomes were offset against material expenses and 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 inter-company 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.

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 the 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. The FIFO principle (first-in, first-out) was applied to the consumption of inventory.

Appropriate deductions to net realizable value were made for old stock and goods of reduced salability. In addition, lump-sum reductions for cash discounts were recognized. 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 write downs were made for expected impairments in excess of the usual wear-related loss in value.

Payments on account and assets under construction are capitalized with the amount paid.

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 write downs 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.

As of January 1, 2004, the goodwill item LUDWIG 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. Figures from previous years were adjusted accordingly. In line with the application of these standards, the scheduled amortization of goodwill, or brand name, ended as of January 1, 2004, as this right is not consumed over time (unlimited useful life). As of December 31, 2005, there was no indication of any impairment of the brand name.

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.

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 (LUDWIG BECK Beteiligungs GmbH), as Feldmeier GmbH & Co. Betriebs KG is exempt from trade tax and, due to trade tax reduction regulations, LUDWIG 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 LUDWIG BECK AG according to HGB. As a basis for the valuation of the amount of pension accruals, a survey of actuarial principles at going concern values on the basis of an interest rate of 6 % (§ 6a Income Tax Act; EStG) is used. The guidelines drawn up in 1998 by Prof. Dr. Klaus Heubeck are applied. A new survey will not be obtained due to the negligible amount of the item.

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 as well as potential compensation claims by minority shareholders. 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 do so and intends to settle either 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 in so far as long-term, fixed-rate interest agreements have been made.

C. 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:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Cash in hand	497	553
Bank balances	51	37
Total	**548**	**590**

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:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Trade receivables	845	877
Other assets	559	626
Prepaid expenses	115	111
Total	**1,519**	**1,614**

The disclosed carrying amounts correspond to present values. All maturities are less than one year. There are no further risks of default with the exception of the allowances considered.

Trade receivables

Trade receivables contain the following:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Total receivables	863	906
Less discounts	18	29
Trade receivables	**845**	**877**

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:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Debit-side creditors	294	308
Other loans	0	22
Loans to employees	9	13
Profit share of insurance policies	25	1
Bonus receivables from suppliers	51	30
Others	180	252
	559	626

Prepaid expenses

Prepaid expenses concern various expenses representing cost for a specific period after the consolidated balance sheet date and amount to € 115k (previous year: € 111k).

(3) Inventories

Inventories consist of the following items:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Raw materials and supplies (at cost)	155	104
Merchandise (at cost)	10,068	11,454
Less impairment of merchandise	-903	-1,363
	9,320	10,195

The usual limitations to ownership apply to the disclosed inventories. Ownership of inventories at the Marienplatz store and the warehouse in Haar is transferred to financing banks as security for loans received (value as of December 31, 2005: € 8,307k).

All merchandise is carried at cost minus possible impairments. Appropriate deductions to the lower net realizable value are made for old stock and goods of reduced salability. In addition, lump-sum reductions for cash discounts were recognized.

(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.

Aquisition/manufacturing costs	As of Jan. 1, 2005	Additions
	€k	€k
I. Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	4,291	343
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third party land	100,800	521
2. Other fixtures and fittings, tools and equipment	15,721	745
3. Payments on account and assets under construction	221	0
	116,742	1,266
	121,033	1,609

	Disposals	Reclassifications	As of Dec 31, 2005	Cumulative depreciation	Book value Dec. 31, 2005	Book value Dec. 31, 2004	Depreciation of fiscal year
	€k	€k	€k	€k	€k	€k	€k
	0	0	4,635	1,810	2,825	2,620	138
	644	1	100,679	17,993	82,686	84,487	2,035
	740	15	15,740	9,576	6,164	7,385	1,617
	187	- 16	19	0	19	221	0
	1,571	0	116,437	27,569	88,868	92,093	3,652
	1,571	0	121,072	29,379	91,693	94,713	3,791

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 (September 1, 2001: € 3,527k) will be depreciated from the point of revaluation over 30 years in annual rates of €118k (December 31, 2005: € 3,017k). Hidden reserves amounting to € 66,661k were un-covered during revaluation. The book value without revaluation of the property amounts to € 4,664k (previous year: € 4,896k). For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and development of guideline land prices between the years of 1998 and 2000 were considered.

The additions (including reclassifications) in fiscal year 2005 amounting to € 521 mainly concern improvements in sales outlets of LUDWIG BECK AG.

The property at Marienplatz is burdened with mortgages for bank liabilities in the amount of € 32,698k.

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 2005:

As of Jan. 1, 2005	€k	3,572
Depreciation 2005	€k	234
As of Dec. 31, 2005	€k	3,338

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 2005 amounting to € 760k mainly apply to LUDWIG BECK AG.

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 December 31, 2005:

Hop fittings	€k	975
Cash registers	€k	129
Total	**€k**	**1,104**

The carrying values developed as follows in fiscal year 2005:

As of Jan. 1, 2005	€k	1,521
Additions 2005	€k	0
Disposals	€k	44
Depreciation 2005	€k	373
As of Dec. 31, 2005	**€k**	**1,104**

Payments on account and assets under construction declined by € 202k from € 221k to € 19k compared to December 31, 2004.

Intangible assets

All intangible assets have been acquired.

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

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Software	787	582
Brand name	2,038	2,038
	2,825	2,620

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 an enterprise resource planning program.

The intangible asset originating from the purchase of the company name LUDWIG BECK in 1995 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 previous years and were extrapolated within the company's five-year plan. An increase in sales revenues of 1.5 % was assumed. A gross margin of 45 % and inflation of 1.5 % were assumed.

There was no need to make unscheduled write downs.

(5) Deferred taxes

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

	Dec. 31, 2005 asset	Dec. 31, 2005 liability	Dec. 31, 2004 asset	Dec. 31, 2004 liability
	€k	€k	€k	€k
Building	40		45	
Pension accrual	1		3	
Tenant loans	163		151	
Loss carried forward	5,852		6,327	
Leasing		44	17	
Other accruals		29		29
Brand name		758		742
Non-interest-bearing liabilities		187		211
Land		4,578		4,578
Property, plant and equipment		138		167
Other		3		3
Total	6,056	5,737	6,543	5,730
Net balance of deferred taxes	-1,233	-1,233	-1,177	-1,177
Total stated in consolidated balance sheet	**4,823**	**4,504**	**5,366**	**4,553**

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 96 % 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 exceeded its income from investments. In the 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 has been 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 (€ 40k), pension accruals (€ 1k), other accruals (€ 29k), leasing (€ 44k), non-interest-bearing liabilities (€ 187k), tenant loans (€ 163k) and property, plant and equipment (€ 138k) have 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, liabilities for deferred taxes were 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, liabilities for deferred taxes were also formed (€ 758k) 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.

(6) Other assets (long-term)

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Loans to employees	9	14
Rent prepayment	143	143
	152	157

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.

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

(7) Liabilities

	Total	within 1 year	of which due between 1 and 5 years	over 5 years 5 years
	€k	€k	€k	€k
1. Liabilities to banks	47,325	12,249	3,776	31,300
previous year	53,594	15,958	5,810	31,826
2. Trade liabilities	2,116	2,116	0	0
previous year	2,294	2,294	0	0
3. Other liabilities	11,284	4,713	1,979	4,592
previous year	9,935	4,243	3,679	2,013
• of which taxes: € 1,354k (previous year: € 1,311k)				
• of which social security: € 450k (previous year: € 463k)				
Dec. 31, 2005	**60,725**	**19,078**	**5,755**	**35,892**
previous year	65,823	22,495	9,489	33,839

Liabilities to banks (€ 32,874k), resulting from the purchase of the "Marienplatz" property are secured as follows:

Mortgages	€k	32,698
Guaranties of minority shareholders	€k	176

Liabilities to banks of LUDWIG BECK AG amounting to € 13,642k and of its subsidiary, LUDWIG BECK Vertriebs GmbH (€ 871k), totaling € 14,513k, are secured by 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: € 29,194k) 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: € 1,732k as of December 31, 2005). 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 concern rent leases for Group branch stores as well as for motor vehicle leasing, which are shown under other financial obligations.

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

	Leasing rate	Interest	Repayment
	€k	€k	€k
Due within 1 year	862	197	665
Due between 1 and 5 years	2,473	495	1,978
Due after 5 years	1,686	122	1,564
	5,021	814	4,207

Liabilities to banks (short-term)

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

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Loans	2,581	5,621
Overdrafts	9,668	10,337
	12,249	15,958

As of December 31, 2005 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 % (€ 61k) and has a book value as of December 31, 2005 of € 115k.

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)

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Wage and sales taxes	1,354	1,311
Social security contributions	450	463
Purchase vouchers	702	586
Leasing	665	942
Personnel expenses	569	435
Audit and tax declaration fees	174	180
Accruals (accrued liabilities)	407	110
Others	392	216
	4,713	**4,243**

Other liabilities (long-term)

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Leasing	3,542	4,192
Loans Schweizer Leben	1,500	1,500
Loans Buchanan Capital Partners II "Marienplatz" GbR	1,529	0
	6,571	**5,692**

Total liabilities from finance leases amount to € 4,207k, previous year: € 5,134k (of which present value up to 1 year: € 665k (previous year: € 942k), between 1 and 5 years: € 1,978k (previous year: € 2,179k) and over 5 years: € 1,564k (previous year: € 2,013k)).

Total minimum leasing payments from finance leases amount to € 5,021k, previous year: € 6,138k (of which up to 1 year: € 862k (previous year: € 1,161k), between 1 and 5 years: € 2,473k (previous year: € 2,754k) and over 5 years: € 1,686k (previous year: € 2,223k)).

Total liabilities from finance leases (of which long-term: € 3,542k, previous year: € 4,192k) developed as follows in the fiscal year 2005:

Present value Jan. 1, 2005	€k	5,134
Additions 2005	€k	0
Disposals 2005	€k	150
Leasing rates 2005	€k	1,025
Interest expense 2005	€k	248
Present value Dec. 31, 2005	**€k**	**4,207**

The loan from Buchanan Capital Partners II "Marienplatz" GbR has a term until December 31, 2014. The loan from Schweizer Leben has an unlimited term and can be paid back by the company at any time.

(8) Accruals

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

	As of Jan. 1, 2005	Use	Release	Additions	As of Dec. 31, 2005
	€k	€k	€k	€k	€k
Maintenance obligations	960	0	0	16	976
Impending loss from leases	24	17	0	0	7
Accruals for pensions and similar obligations	20	10	0	0	10
Total	1,004	27	0	16	993

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:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Present value of pension obligations as of balance sheet date	10	20

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:

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Current pension expenses	5	8

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

As of Jan. 1, 2005	€k	20
Change in pension obligations	€k	10
As of Dec. 31, 2005	**€k**	**10**

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. As a basis for the valuation of the amount of pension accruals, a survey of actuarial principles at going concern values on the basis of an interest rate of 6 % (§ 6a Income Tax Act; EStG) is used. The guidelines drawn up in 1998 by Prof. Dr. Klaus Heubeck are applied. A new survey will not be obtained due to the negligible amount of the item.

(9) Deferred tax liabilities

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

(10) Potential compensation claim of minority shareholders

IAS 32 governs the classification of financial instrument. A distinction between equity instruments and financial liabilities must be made according to which shares of capital of partnerships not always refer to equity capital like in the case of HGB.

In accordance with IAS 32.18 such a financial instrument with an attached obligation to return of the bearer in return for cash or other financial assets represents a financial liability and no item of equity. Therefore it is not allocated to equity.

Against the background of a securing of the Marienplatz location, LUDWIG BECK acquired 50.1 % of Feldmeier GmbH & Co. Betriebs KG in the fiscal year 2001. In the course of the full consolidation, 49.9 % of minority interests were recognized in the balance sheet. A potential compensation claim by minority shareholders in the amount of € 8,939k would result from the underlying participation agreement on the balance sheet date (previous year: 8,933). This compensation claim is equal to the amount which all minority shareholders could claim upon withdrawal as of the balance sheet date. The amount of this potential compensation claim represents a financial liability and not equity in terms of the IAS 32. The compensation claim by minorities is a function of the value of Feldmeier GmbH & Co. Betriebs KG on the basis of contractually determined values for the property at Marienplatz.

In comparison to the minority capital recorded up to now, a difference of € 15,471k results (previous year: € 15,530k) which is allocated to equity, as an outflow of cash and cash equivalents from the Company would not occur in case of a withdrawal by minority shareholders.

(11) Shareholders' equity

With regard to changes in shareholders' equity in fiscal year 2005, 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 2005 all LUDWIG BECK shares were outstanding.

Conditional capital

At the AGM on May 30, 2005, the share capital of the Company was raised conditionally by up to € 4.29m through the issue of up to 1,678,102 no-par bearer shares (ordinary shares). The conditional capital increase is used to grant conversion rights to bearers of convertible bonds. The Executive Board authorized the issuing of these with the resolution passed at the AGM on May 30, 2005. Up to now no convertible bonds have been issued.

Authorized capital

At the AGM on May 30, 2005, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital through to May 30, 2010 through the issue of new no-par bearer shares (ordinary shares) in return for stock or cash once or many times, though by a maximum of € 4.29m. Up to now no use has been made of this authorization.

Reserves

	Dec. 31, 2005	Dec. 31, 2004
	€k	€k
Revenue reserves	8,375	8,194
Capital reserves	7	7
	8,382	8,201

Revenue reserves

Revenue reserves developed as follows in fiscal year 2005:

Statutory reserves:

As of Jan. 1, 2005	€k	852
Change 2005	€k	0
As of Dec. 31, 2005	**€k**	**852**

Other revenue reserves:

As of Jan. 1, 2005	€k	7,343
Additions	€k	179
As of Dec. 31, 2005	**€k**	**7,522**

The purpose of the reserves is to secure the financing and liquidity of the Company.

Balance sheet profit

As of Jan. 1, 2005	€k	0
Additions	€k	451
As of Dec. 31, 2005	**€k**	**451**

Supplementary item from minority interests

As of Jan. 1, 2005	€k	15,530
Change	€k	-59
As of Dec. 31, 2005	**€k**	**15,471**

The supplementary item from minority interests is the result of the details under (10). This amount is equal to the share of a claim of Feldmeier GmbH & Co. KG against the minority shareholders. This claim has been released in the scope of the revaluation of property in a profit-neutral fashion against overall equity. In case of a withdrawal of minority shareholders, this claim is offset against purchase price claims and thus automatically increases the equity portion attributable to shareholders of LUDWIG BECK AG.

The participation agreement earmarks an ordinary cancellation right up to December 31, 2030 at the earliest. The company does not anticipate the withdrawal of minority shareholders for a lasting period.

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

Mr. Karl Schleicher (Ingolstadt) has given notification that, as of November 22, 2005, his voting rights of LUDWIG BECK AG exceeded the 25 % threshold. He currently holds 25.00003 % of voting capital (840,001 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).

II. Consolidated income statement

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

(12) Sales revenues

	2005	2004
	€k	€k
Sales revenues	87,668	86,660

Sales revenues are explained in more detail in the Group's segment reporting section. With the exception of an amount totaling € 11k (previous year: € 18k), all sales revenues of the LUDWIG BECK Group were generated in Germany.

(13) Own work capitalized

In the fiscal year 2005, own work capitalized amounted to € 23k (previous year: € 31k). This item includes personnel expenses and allocated overheads incurred during rebuilding work at the flagship store in Munich.

(14) Other operating income

Other operating income comprises rent and allocated rent costs amounting to € 787k (previous year: € 817k), income from administration amounting to € 3k (previous year: € 15k), income from sales activities amounting to € 924k (previous year: € 732k), income from personnel activities amounting to € 267k (previous year: € 244k) and other income amounting to € 653k (previous year: € 821k) resulting mainly from canteen revenues of € 341k (previous year: € 319k).

(15) Cost of materials

	2005	2004
	€k	€k
Cost for raw materials, supplies and merchandise	46,716	46,474

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.

(16) Personnel expenses

	2005	2004
	€k	€k
Wages and salaries	14,341	15,266
Social security	2,759	3,023
Pension costs	466	453
	17,566	**18,742**

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, 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 2005 amounted to € 175k.

A total of 367 employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

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 € 263k.

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.

(17) Depreciation

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

(18) Other operating expenses

Other operating expenses comprise the following items:

	2005	2004
	€k	€k
Write downs on short-term receivables	38	43
Cost of office and store space	8,619	9,180
Administration expenses	1,998	2,171
Sales expenses	4,144	4,193
Other personnel expenses	692	768
Insurance/contributions	234	240
Other taxes	111	90
Others	666	481
	16,502	17,166

(19) Financial result

	2005	2004
	€k	€k
Other interest and similar income	6	6
Interest and similar expenditure	3,993	3,957
Financial result	-3,987	-3,951

Other interest and similar income result exclusively from interest received on bank balances. The interest portion for finance leases included under interest expenses amounts to € 285k.

(20) Taxes

As a result of the minimum taxation in terms of the corporate tax and the trade tax, actual income taxes in the amount of € 71k accrued for 2005.

	2005	2004
	€k	€k
Income taxes due to minimum taxation	71	0
Deferred tax expense (previous year: income) due to due tocreation and reversal of temporary differences	494	-436
	565	-436

Deferred tax expense (previous year: income)

	2005	2004
	€k	€k
From the change in loss carry forwards	475	-480
From capitalizing finance lease assets	60	67
From temporary differences in the carrying of a tenant loan	-11	-11
From temporary differences in the amortization of goodwill	16	16
From temporary differences in non-interest-bearing liabilities	-24	-23
From temporary differences in the depreciation of fixed assets	-28	-10
Other	6	5
Total deferred tax expense (previous year: income)	494	-436

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 and 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:

	2005	2004
	€k	€k
Result before income taxes	1,763	-685
Theoretical tax rate in %	41	41
Calculated tax expense (previous year: income)	723	-281
Change in the calculated tax expense due to:		
• Netting of tax-neutral losses with taxable earnings of consolidated companies	16	11
• Tax-neutral minority interests	-233	-223
• Tax expense due to temporary differences of Feldmeier GmbH & Co. Betriebs KG	2	3
• 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	75	73
Actual tax expense (previous year: income)	**565**	**-436**

(21) Minority interests

Minority interests in the period under review comprise the following:

	2005	2004
	€k	€k
Feldmeier GmbH & Co. Betriebs KG	-568	-543
LUDWIG BECK Verwaltungs GmbH	0	0
Total	**-568**	**-543**

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

(22) Transfers to/from reserves

Transfers to/from reserves refer only to revenue reserves:

	2005	2004
	€k	€k
Capital contribution to revenue reserves	179	0
Drawings from revenue reserves	0	791

(23) 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:

	2005	2004
	€k	€k
Consolidated net income (previous year: loss) in €k	1,198	-248
Consolidated net income (previous year: loss) after minority interests in €k	630	-791
Weighted number of shares (in thousands)	3,360	3,360
Earnings per share in € (undiluted and diluted)	0.19	-0.24

The undiluted and diluted results are identical.

(24) Dividend proposal

The Executive Board and the Supervisory Board have proposed the distribution of a dividend in the amount of € 336k to shareholders with regard to appropriation of profit. This equals a dividend per share of € 0.10.

D. 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 80 % of consolidated revenues, any further segmentation would not be sensible.

The consolidated sales and earnings relating to these segments in fiscal **2005** were as follows:

	Retail	Franchise	Reconciliation	Group
	€k	€k	€k	€k
Sales revenues (net)	**80,767**	**7,076**	**0**	**87,843**
Inter-segment sales	-44	-131	0	-175
Non-Group sales	80,723	6,945	0	87,668
Segment earnings (EBIT)	**5,483**	**267**	**0**	**5,750**
Interest income				6
Interest expenditure				3,993
Financial result				**-3,987**
Income taxes				565
Net income/loss				**1,198**
Depreciation included in segment	3,306	469	0	3,775
Segment assets	111,957	1,814	-5,716	108,055
Segment liabilities	76,462	1,294	-5,716	72,040
Investment in long-term assets	1,597	12	0	1,609

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 **2004** were as follows:

	Retail	Franchise	Reconciliation	Group
	€k	€k	€k	€k
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 the 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

E. 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.

F. 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.

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:

	Annual commitment 2005	Annual commitment 2004	Total commitment 2005	Total commitment 2004
	€k	€k	€k	€k
Lease commitments incl. ground rent	6,793	7,414	80,843	89,731
Advertising contribution commitments	232	246	1,905	1,872

The maturities of the total commitment are as follows:

	within 1 year	1 to 5 years	over 5 years	total
	€k	€k	€k	€k
Lease commitments incl. ground rent	6,793	26,139	47,911	80,843
Advertising contribution commitments	232	927	746	1,905

LUDWIG BECK AG has a storage and shipping agreement with a logistics operator, which expires on December 31, 2006. Payment is linked to incoming goods.

III. Declaration of conformity acc. to § 161 Stock Corporation Act (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG filed their declaration of conformity acc. to § 161 AktG on November 24, 2005. The requirements of the Corporate Governance Code as amended on June 2, 2005 are currently met and will continue to be in the future. LUDWIG BECK AG has complied with the recommendations of the Code as amended on May 21, 2003 since the release of the last declaration of conformity on December 8, 2004. The Declaration of conformity is permanently available for inspection by shareholders on the Company's home page (www.ludwigbeck.de).

IV. Relations to related companies and persons

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 the fiscal year 2005 amounted to a total of € 1,011k and was as follows:

Reiner Unkel:	fixed salary	€k	334
	performance-based components	€k	90
	D&O	€k	3
	Pension costs	€k	152
Dieter Münch:	fixed salary	€k	255
	performance-based components	€k	63
	D&O	€k	3
	Pension costs	€k	111

As of December 31, 2005, the members of the Executive Board held 27,000 no-par shares (previous year: 25,700; purchase: 1,300; sale: 0).

Supervisory Board

Dr. Joachim Hausser, business, 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

Remuneration of the Supervisory Board in the fiscal year 2005 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
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

LUDWIG BECK AG received consultation services from CMS Hasche Sigle lawyers and tax consultants for € 85k. Dr. Eva Annett Grigoleit is employed at this firm.

Consultation services were received from the Buchanan Corporate Relations GmbH for € 5k. Mr. Steven Wilkinson is Managing Director at this company.

As of December 31, 2005, the members of the Supervisory Board held 256 no-par shares directly (previous year: 256, purchase/sale: 0).

*) worker representatives

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

Mr. Reiner Unkel:	
Advisory Council:	HUCKE AG, Lübbecke
Dr. Joachim Hausser:	
Advisory Council:	GETRAG Getriebe- und Zahnradfabrik
	Hermann Hagemeyer GmbH & Co. KG, Ludwigsburg
Administrative Council:	Kühne & Nagel Intern. AG, Schindellegi
Mr. Günter Bergmann:	
Advisory Council:	Hettlage München GmbH & Co. OHG, Munich
Mr. Steven Wilkinson:	
Administrative Council:	Arques Industries AG, Starnberg

Miscellanous

Buchanan Capital Partner II "Marienplatz" GbR has granted long-term pledged loans in the ammount of € 1,529k. Buchanan Holdings Limited is partner of the civil-law company GbR.

V. Audit fees

The fee of the auditor for the lapsed fiscal year 2005 amounts to € 362k. The fee for the audit of the consolidated financial statements and the annual financial statements amounted to € 158k. For other authentication or valuation services, an amount of € 22k has accrued as well as € 45k for tax consultation and € 137k for other services.

VI. Personnel

The Group members of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG employed an average of 540 people in 2005 (previous year: 586), of which 189 (previous year: 204) were part-time staff and 107 (previous year: 109) temporary staff. Interns were not included in the calculation.

Munich, in February 2006

Mr. Reiner Unkel　　　　Mr. Dieter Münch

Additional information

Supervisory board report

The Supervisory Board fulfilled all of its duties in the year under review and supported and monitored the Executive Board in its work as an advisor. The monitoring duty con-sisted particularly of the following measures:

- Request and audit of quarterly reports regarding the company forecast (particularly the financial, investment and personnel planning) and the business development (sales and the situation of the company in particular) as well as regarding businesses which can be of great significance for the profitability or liquidity of the company (cp. § 90 par 1, German Stock Corporation Act (AktG));

- Questioning of management at the six meetings of the Supervisory Board on the reports provided, current developments and upcoming decisions;

- Conversations between the Chairman of the Supervisory Board and members of the Executive Board on various occasions and questioning of management in the framework of these discussions on current developments and upcoming decisions;

- Verification of the annual financial statements prepared by the Executive Board, the consolidated financial statement, the management report and the consolidated management report as well as relevant questions for the members of the Executive Board.

The Supervisory Board was involved in all important strategic company decisions and discussed these in detail, verified them and, when needed, approved them. The Executive Board continuously informed the Supervisory Board during the regularly arranged meetings in detail on all important company-related questions such as the strategic direction and planning, the market trend, growth prospects and the current business development including the budget, the risk situation and risk management.

The members of the Executive Board also took part in the six meetings called in 2005 (January 26, March 17, May 30, July 28, September 29 and November 24) on a regular basis. The company's auditor also took part in the balance sheet meeting according to § 171 par. 1 AktG on March 17. The Chairman of the Supervisory Board and his representative were also available for contact outside of the meetings by the members of the Executive Board and were kept up to date on the current business developments.

The Supervisory Board also had two committees in the 2005 fiscal year: The audit committee consisted of Steven K.N. Wilkinson (Chairman) as well as Dr. Eva Annett Grigoleit and Dr. Joachim Hausser. The personnel and management committee comprised Dr. Joachim Hausser (Chairman) as well as Dr. Eva Annett Grigoleit and Günter Bergmann. The personnel and management committee convened on November 24, 2005. The audit committee met on March 4, 2005 and resolved in written consent the audit assignment in lieu of a meeting to commission AWT Horwath GmbH, audit firm, Munich.

The consultations of the Supervisory Board primarily dealt with the ongoing business development as well as the company strategy and its implementation. The ongoing business development during another difficult year for the German retail sector as well as the necessary strategic and operating measures and the future development of certain stores were of particular significance in the scope of intensive considerations in the past year. The capital expenditures associated therewith and the mid and long-term company planning and company financing have been discussed many times and to a great extent.

The Supervisory Board dealt extensively with the standard of good and responsible company management included in the German Corporate Governance Code. According to the recommendations of the Code, the Supervisory Board asked for a declaration by the auditor on March 4, 2005 as well as on November 23, 2005 as to which professional, financial or other dealings between the auditor and the company exist that could cause doubt about its independence (independence declaration). The declaration also extends to other consultation services that have been generated for the company in the past fiscal year. The Supervisory Board furthermore resolved upon an updated version of the declaration of conformity according to § 161 AktG on November 24, 2005.

The annual financial statements and the consolidated financial statements as of December 31, 2005 as well as the management report and consolidated management report were audited by the appointed auditing firm AWT Horwath GmbH, Munich on the basis of the prepared accounting. The auditor issued an unqualified auditor’s opinion. All documents related to the financial statements and auditing reports were provided to all members of the Supervisory Board on time before the balance sheet meeting of the Supervisory Board. These documents were discussed in detail in the presence of the auditor as well as by the entire Supervisory Board. The Supervisory Board has verified the annual financial statements and the consolidated financial statements as well as the management report and the consolidated management report. It agrees on the result of the audit performed by the auditor and raises no objections on the basis of its own analysis. The Supervisory Board accepted the annual financial statements and consolidated financial statements drawn up by the Executive Board in the version of the auditing report prepared by AWT Horwath GmbH through the resolution on March 14, 2006. The annual financial statements have therefore been established.

The Supervisory Board would like to thank the Executive Board and the company’s management for the great dedication and the work performed in the past fiscal year. Our very special thanks go out to all employees for their great efforts, which in the future will also be among the most important success factors of LUDWIG BECK.

Munich, in March 2006

Dr. Joachim Hausser
Chairman of the Supervisory Board

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 – as well as the consolidated management report for the fiscal year from January 1, 2005 to December 31, 2005. The preparation of the consolidated financial statements and the consolidated management report according to IFRS, as apply in the EU, and the applied commercial law regulations supplemented according to § 315a par. 1 HGB is the responsibility of the legal representative of the Company. Our responsibility is to deliver an opinion on the consolidated financial statements and the consolidated management report on the basis of our audit. We have furthermore been commissioned to assess whether the consolidated financial statements also comply overall with IFRS.

We have conducted our audit of the consolidated financial statements in accordance with § 317 HGB and in compliance with German principles of proper auditing of financial statements as laid down by the German Institute of Certified Public Accountants (IDW). These stipulate that the audit must be planned and executed in such a way that inaccuracies and infringements which have a significant effect on the presentation of the assets, financial and earnings position offered by the consolidated financial statements in compliance with the applicable accounting regulations and by the consolidated management report are identified with adequate security. In planning the audit, we also take into consideration knowledge of the business activity, economic and legal environment and expectations of possible errors. As a part of the audit's remit, the effectiveness of the accounting-related internal control system and as evidence for the estimated values and information in the consolidated financial statements the consolidated management report are largely assessed on the basis of random samples. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the scope of the consolidated group, the accounting and consolidation principles applied and the legal representatives' principle assessments, as well as an appreciation of the overall presentation of the consolidated financial statements and the consolidated management report. We believe that our audit provides a sufficiently reliable foundation for our judgment.

Our audit has given rise to no objections.

As a result of the findings of the audit, the consolidated financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG are in compliance with IFRS, as apply in the EU, and the applied commercial law regulations supplemented according to § 315a par. 1 HGB as well as IFRS overall and, in compliance with these provisions, offers an accurate picture of the Group's assets, financial and earnings position in our assessment. The consolidated management report is in accordance with the consolidated financial statements and overall offers an accurate picture of the Group's position and describes the opportunities and risks of future development accurately.

Munich, March 1, 2006

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

ppa. J. Mayer — W. Zimmermann
Auditor — Auditor

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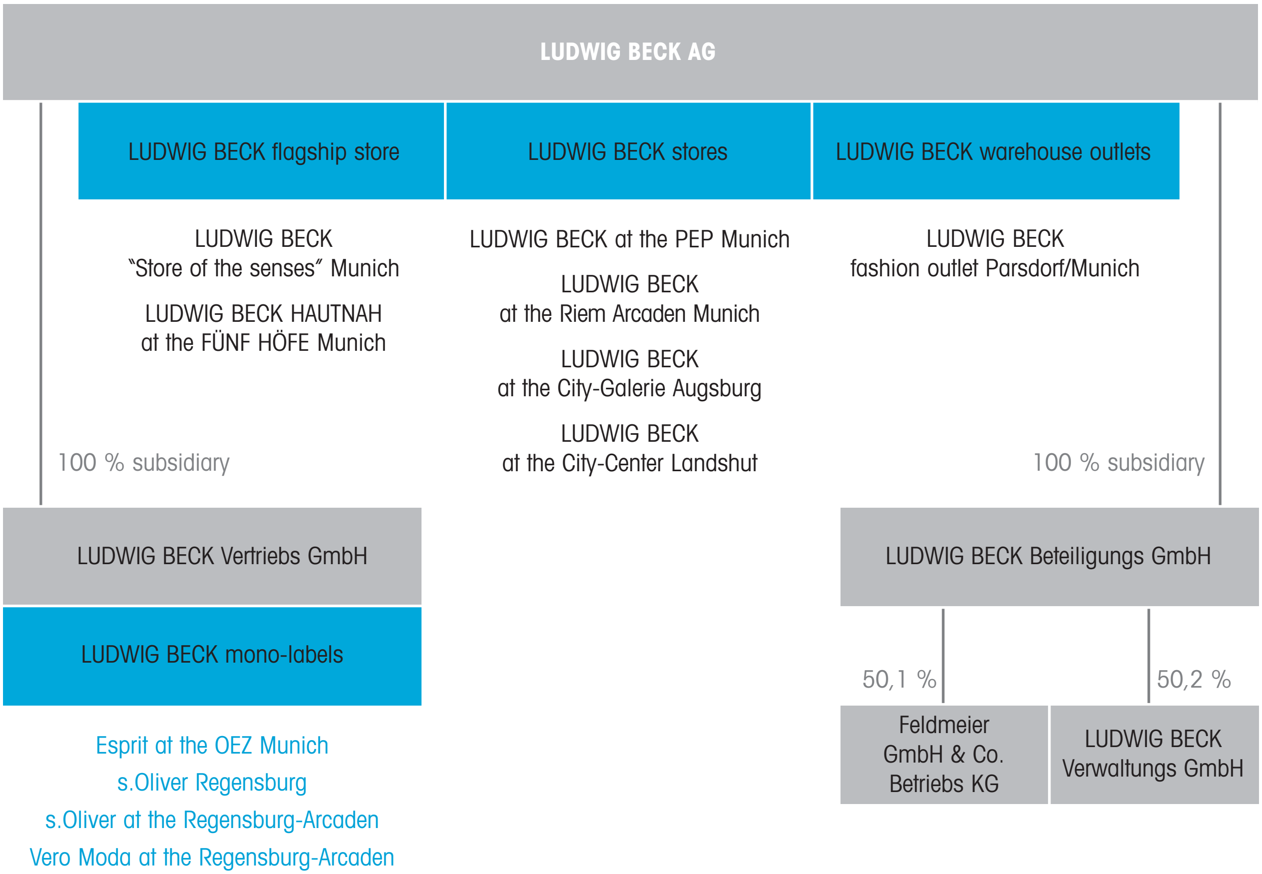
Structure of the company



Financial calendar

January 4, 2006	Sales figures for 2005
March 14, 2006	Annual press conference in Munich
March 14, 2006	Release of 2005 financial statements
March 20, 2006	Analyst's conference in Frankfurt
April 04, 2006	Three-month report for 2006
May 24, 2006	Annual General Meeting in Munich
July 27, 2006	Six-month report for 2006
October 26, 2006	Nine-month report for 2006
January 4, 2007	Sales figures for 2006

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