

Half-year report January 1 - June 30, 2006

- + Sales up compared with previous year
- + Cost reduction continues
- + Robust growth in EBIT

LUDWIG BECK



Key figures of the group

€m	Jan. 1 - Mar. 31, 2006	Jan. 1 - Mar. 31, 2005
Gross sales (incl. sales tax) ¹⁾	44.0	43.7
Gross profit ¹⁾	17.9	17.7
EBITDA	2.6	1.9
EBIT	0.8	0.1
Net loss	-0.5	-1.0
Earnings per share (in €) ²⁾	-0.24	-0.39
Capital expenditures	0.9	1.0
Employees (no. as of March 31) ³⁾	523	522
Apprentices (no. as of March 31)	54	51

¹⁾ Net sales minus cost of materials

²⁾ Basis 2005 and 2006: 3.36 million shares

³⁾ Without apprentices

Sales

In the first six months of the financial year 2006, LUDWIG BECK continued with the positive sales trend that had characterised the previous financial year. All in all, gross sales at group level increased by 0.6 % to € 44.0m (previous year: € 43.7m). Adjusted to account for changes in floor space, sales increased by 3.7 %. The flagship store at Marienplatz even increased its sales by 3.9 %. According to TextilWirtschaft, the industry as a whole posted sales growth of 1.0 %.

A glance at the second quarter reveals that gross sales at group level amounted to € 22.0m (previous year: € 21.9m), representing an increase of 0.8 %. Adjusted for changes in floor space, sales increased by 3.4 %.

The highlights of the second quarter: Easter sales were extremely positive for LUDWIG BECK, despite the persistently cool and wet weather and the fact that the public holidays left fewer selling days than in the previous year. One factor that contributed to the sales growth was the two-week annual in-house promotion "Grüner wird's nicht", which offered unbeatable high-quality goods on every floor and attracted many customers to the "Kaufhaus der Sinne" department store at Marienplatz.

The FIFA World Cup, on the other hand, could not satisfy expectations. Most people remained in front of their TV sets and, according to TextilWirtschaft, the German textile retail business posted a decline of 2 % in its sales. Positive effects were felt only in part-segments such as sports articles and consumer electronics. LUDWIG BECK was unable to escape this trend, with its sales decreasing at a rate similar to the industry as a whole and reflecting its poor World Cup performance. The open Sunday on 18 June also fell short of expectations owing to the hot, summery weather on that day.

Earnings

In the months from January to June 2006, net gross earnings at group level increased slightly from € 17.7m to € 17.9m. The net gross earnings ratio of 47.1 % remained at around the previous year's level.

The cost ratio (expenses set off against the corresponding income) was reduced again by 1.7 percentage points and, at 45 %, was considerably lower than the previous year's level (46.7 %).

LUDWIG BECK significantly increased its earnings in the first half-year. Operating earnings (EBIT) in the first six months of 2006 amounted to € 0.8m, an increase of € 0.7m over the same period last year (€ 0.1m).

Traditionally, the largest proportion of sales proceeds for retail companies is generated in the last quarter, while fixed costs are distributed evenly throughout the year.

Employees

At the mid-year point, the number of employees (excluding trainees) in accordance with §267 para. 5 HGB (German Commercial Code) totalled 522 (previous year: 522). Weighted to take account of full-time staff, the number of employees at group level fell by 4.9 % to 372 (previous year: 391). All in all, 54 trainees were on the payroll as of the reporting date 30.6.2006 (previous year: 51).

Investments

By the mid-year point in 2006, investments totalling € 0.9m (previous year: € 1.0m) had been made. These investments were focused primarily on structural alteration work at the flagship store at Marienplatz.

Outlook

“German economy picks up speed”. This was the headline of a press release by the German Institute of Economic Research on 4 July 2006, which pointed out that the economic growth, contrary to the previous trend, was being carried by stronger domestic demand. This means that private consumption is advancing to become a strong pillar of German economic activity.

TextilWirtschaft also reports that the positive mood among consumers is persisting. The planned VAT increase for 2007, however, is still being made responsible for the fact that consumers are increasingly inclined to make their large-scale purchases before the end of this year. The debate on the future financing of the health system is also causing uncertainty among consumers, as is the reform of the labour market.

LUDWIG BECK is reacting optimistically, and is confidently putting its faith in the company's inherent dynamism and a continuation in the positive development of business.

As in previous years, the main focus of activity remains the rigorous pursuit of the overall strategy: with the trading-up process, the product range in the flagship store at Marienplatz is being constantly enhanced and the sales and earnings potential from the branch concept optimised on an ongoing basis. The redesign of the sales areas on the ground floor planned for 2006 and 2007 has already begun.

The leather goods and accessories department is being expanded and should ensure a continuation of the excellent sales trend as the second half-year progresses.

LUDWIG BECK is also expecting positive effects from the Oktoberfest period with high customer numbers and high sales, and from pleasing results in the Christmas period. The regular in-house promotions are also sure to serve as an additional magnet for the Marienplatz store.

Parallel to that, rigorous cost control will remain firmly in place, maintaining its contribution to a positive development of earnings.

With Oliver Haller joining the Management Board as the new head of purchasing, sales and marketing on 1 January 2007, and with a new management structure to the team involving Dieter Münch as Chief Financial Officer, LUDWIG BECK is expecting to benefit from a great deal of growth momentum. More information about Oliver Haller can be found at www.ludwigbeck.de.

Munich, July 2006

The Management Board

Annex

Accounting in accordance with International Financial Reporting Standards (IFRS)

These quarterly financial statements of the LUDWIG BECK AG group as of June 30, 2006 have been prepared in accordance with the rules of the International Financial Reporting Standards (IFRS, formerly IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC).

Presentation method

The quarterly financial statements are prepared in compliance with IAS 34 (Interim Financial Reporting).

Accounting and valuation methods

In the quarterly financial statements, the accounting and valuation methods used are the same as those used for the consolidated financial statements for the year ending December 31, 2005. A comprehensive description of these methods has been published in the notes to the IFRS/IAS consolidated financial statements as of December 31, 2005.

The quarterly financial statements were subjected to a professional audit.

The sums were calculated precisely and then rounded up or down to € millions. The percentages indicated in the text were calculated on the basis of the exact figures (not rounded up/down).

Consolidated income statement

Consolidated income statement of LUDWIG BECK am Rathauseck –
Textilhaus Feldmeier AG, Munich, for the period January 1 - June 30, 2006,
acc. to IASB

€m	Jan. 1 - Jun. 30, 2006	Jan. 1 - Jun. 30, 2005	Apr. 1 - Jun. 30, 2006	Apr. 1 - Jun. 30, 2005
1. Sales revenues				
- sales (gross)	44.0	43.7	22.0	21.9
- minus sales tax	6.1	37.9	6.0	37.7
2. Other operating income	1.3		1.2	0.6
	39.2	38.9	19.6	19.5
3. Cost of materials	20.0	20.0	9.8	9.7
4. Personnel expenses	8.6	8.7	4.3	4.4
5. Depreciation	1.8	1.8	0.9	0.9
6. Other operating expenses	8.0	38.4	8.2	38.8
			3.9	18.8
7. EBIT	0.8	0.1	0.8	0.5
8. Financial result	-1.8	-2.0	-0.9	-1.0
of which financing expenses € 1.8m (previous year: € 2.0m)				
9. EBT	-1.0	-1.9	-0.1	-0.5
10. Deferred taxes	-0.5	-0.8	-0.1	-0.2
11. Consolidated net loss before minority interests	-0.5	-1.0	0.0	-0.3
12. Minority interests	0.3	0.3	0.1	0.1
13. Consolidated net loss after minority interests	-0.8	-1.3	-0.2	-0.4
Earnings per share (undiluted and diluted) in €	-0.24	-0.39	-0.05	-0.12
Average number of outstanding shares in thousands	3.360	3.360	3.360	3.360

Segment reporting

	Retail	Franchise	Group
	€k	€k	€k
Jan. 1 - Jun. 30, 2006			
Non-Group sales (net)	34,998	2,903	37,901
Segment result (EBIT)	712	111	823
Apr. 1 - Jun. 30, 2006			
Non-Group sales (net)	17,402	1,596	18,998
Segment result (EBIT)	681	139	820
Jan. 1 - Jun. 30, 2005			
Non-Group sales (net)	34,322	3,368	37,690
Segment result (EBIT)	167	-45	122
Apr. 1 - Jun. 30, 2005			
Non-Group sales (net)	17,160	1,682	18,842
Segment result (EBIT)	403	72	475

Consolidated balance sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck –
Textilhaus Feldmeier AG, Munich, as at June 30, 2006, acc. to IASB

Assets	Jun. 30, 2006	Dec. 31, 2005	Jun. 30, 2005
	€m	€m	€m
A. Short-term assets			
I. Cash and cash equivalents	0.7	0.5	0.6
II. Receivables and other assets	1.3	1.5	1.7
III. Inventories	10.7	9.3	10.2
	12.7	11.4	12.4
B. Long-term assets			
I. Property, plant and equipment	87.9	88.9	90.6
II. Intangible assets	2.8	2.8	2.6
III. Deferred taxes	5.3	4.8	6.2
IV. Other assets	0.2	0.2	0.2
	96.2	96.7	99.5
	108.9	108.1	112.0

Shareholders' equity and liabilities	Jun. 30, 2006	Dec. 31, 2005	Jun. 30, 2005
	€m	€m	€m
A. Short-term assets			
I. Liabilities to banks	16.0	12.2	18.9
II. Trade liabilities	2.2	2.1	2.3
III. Other liabilities	3.5	4.7	3.3
	21.7	19.1	24.6
B. Long-term liabilities			
I. Liabilities to banks	34.6	35.1	36.6
II. Accruals	1.0	1.0	1.0
III. Other liabilities	6.4	6.6	5.3
IV. Deferred tax liabilities	4.5	4.5	4.5
	46.5	47.1	47.5
C. Potential compensation claim by minority shareholders	9.0	8.9	9.0
D. Shareholders' equity			
I. Subscribed capital	8.6	8.6	8.6
II. Reserves	7.7	8.4	6.9
III. Net income	0.0	0.5	0.0
IV. Supplementary item from minority interests	15.4	15.5	15.5
	31.7	32.9	31.0
	108.9	108.1	112.0

Consolidated cash flow statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck –
Textilhaus Feldmeier AG, Munich, for the period January 1 - June 30, 2006, acc. to IASB

	Jan. 1 - Jun. 30, 2006	Jan. 1 - Jun. 30, 2005
	€m	€m
Cash flow from operating activities:		
Net loss before minority interest, taxes and extraordinary items	-1.0	-1.9
Adjustments for:		
+ depreciation of fixed assets	1.8	1.8
+ interest expenses	1.8	2.0
Operating result before changes to net working capital	2.6	2.0
Increase/decrease (-/+) in assets	-1.1	0.0
Increase/decrease (+/-) in liabilities	-0.9	-0.8
Net cash from operating activities (before interest payments)	0.6	1.2
Interest paid	-1.8	-2.0
Net cash from operating activities	-1.2	-0.8
Proceeds from disposal of fixed assets	0.0	0.7
Disbursements for additions to fixed assets	-0.9	-1.0
Net cash used in investing activities	-0.9	-0.3
Disbursements to minority interests	-0.3	-0.3
Dividend payment	-0.3	0.0
Proceeds/disbursements (+/-) from the acceptance/repayment of bank liabilities	3.3	1.9
Balance of proceeds/disbursements from the reduction of other long-term borrowing (finance leasing)	-0.4	-0.5
Net cash from financing activities	2.3	1.1
Change in cash and cash equivalents	0.2	0.0
Cash and cash equivalents at beginning of period	0.5	0.6
Cash and cash equivalents at end of period	0.7	0.6

Consolidated equity statement

Consolidated equity statement of LUDWIG BECK am Rathauseck –
Textilhaus Feldmeier AG, Munich, for the period January 1 - June 30, 2006, acc. to IASB

	Share capital	Capital reserves	Generated capital	Supplementary item from minority interests	Total
	€k	€k	€k	€k	€k
Balance as of Jan. 1, 2006	8,590	7	8,826	15,471	32,894
Net loss after minority interests			-808		-808
Dividend payment			-336		-336
Change in supplementary item				-30	-30
Balance as of Jun. 30, 2006	8,590	7	7,682	15,441	31,720
Balance as of Jan. 1, 2005	8,590	7	8,195	15,530	32,321
Net loss after minority interests			-1,320		-1,320
Change in supplementary item				-25	-25
Balance as of Jun. 30, 2005	8,590	7	6,875	15,505	30,976