

# Nine-months report January 1 – September 30, 2006

- + Sales up after adjustment for changes in floor space
- + Net gross earnings continue to grow
- + Further robust increase in EBIT

LUDWIG BECK



# Key figures of the group

€m	Jan. 1 - Sept. 30, 2006	Jan. 1 - Sept. 30, 2005
Gross sales (incl. sales tax)	67.8	68.5
Gross profit <sup>1)</sup>	27.3	27.2
EBITDA	4.3	4.0
EBIT	1.7	1.1
Net loss	-0.5	-1.0
Earnings per share (in €) <sup>2)</sup>	-0.28	-0.44
Capital expenditures	-2.1	1.4
Employees (no. as of June 30) <sup>3)</sup>	548	532
Apprentices (no. as of June 30)	50	60

<sup>1)</sup> Net sales minus cost of materials    <sup>2)</sup> Basis 2005 and 2006: 3.36 million shares    <sup>3)</sup> Without apprentices

## Sales

After the first nine months of the financial year 2006, total sales in the LUDWIG BECK group amounted to EUR 67.8 million (previous year: EUR 68.5 million). This represents a decrease of 1.0 %. It must be taken into consideration, however, that the previous year's figure includes a sales volume of EUR 1.7 million, which was accounted for by two branches that were discontinued or sold. Calculated on the basis of comparable floor space, sales increased by 1.5 %. The industry as a whole showed a sideways trend with 0.0 %.

The highlights of the third quarter were as follows: sales in the third quarter did not show any dynamism until August. The preceding month of July was characterised by very summery temperatures on the one hand and on the other hand, the broadcasting of the FIFA World Cup in Germany, which had failed to live up to the expectations of the high-quality textile retail segment. It was only the unexpectedly cool weather in August that motivated customers to buy the newly arrived autumn and winter garments, with the result that August delivered thoroughly positive results. Renovation and floor space development in the HAUTNAH cosmetics and accessories departments, however, meant that a large section of the ground floor was not available for selling activity. September remained well below expectations due to the warm and summery temperatures that prevailed. In addition, LUDWIG BECK had to endure substantial sales losses as a result of the strict security precautions that accompanied the Pope's visit in early September.

## Earnings

After the first nine months of the financial year 2006, net gross earnings at group level amounted to EUR 27.3 million, 0.3 % higher than in the previous comparable period (previous year: EUR 27.2 million). The net gross earnings ratio increased to 46.7 % (previous year: 46.1 %).

The cost management activities, which were optimised on an ongoing basis, again reduced the cost ratio (expenses set off against the corresponding income), this time by 0.4 percentage points. At 43.9 %, it was again below the previous quarter's level (44.3 %).

Earnings also developed extremely positively. LUDWIG BECK increased its operating earnings (EBIT) in this period by EUR 0.6 million to EUR 1.7 million (previous year: EUR 1.1 million). Results from ordinary activities posted an even stronger increase of EUR 0.8 million, amounting to EUR -1.1 million after nine months (previous year: EUR -1.9 million).

## Employees

In the first nine months, the number of employees (excluding trainees) in accordance with §267 para. 5, HGB (German Commercial Code) totalled 531 (previous year: 525). Weighted to take account of full-time staff, the number of employees at group level fell to 379 (previous year: 390). 50 trainees were on the LUDWIG BECK payroll as of the reporting date 30 September 2006 (previous year: 60).

## Investments

In the months from January to the end of September 2006, LUDWIG BECK invested EUR 2.1 million in structural alteration work at the flagship store at Marienplatz in Munich. Sales areas were renovated on the ground floor in the HAUTNAH cosmetics, leather goods and accessories departments. The areas were upgraded by the renovation work, with the result that they are now integrated ideally into the high-quality and professional presentation of the entire ground floor. The company also invested in renovation work in the menswear department in the basement, which was given a major upgrade with a new look and new brands.

## Outlook

Most of the institutes agree: economic growth in Germany is going to remain high. The six leading economic research institutes, for example, are expecting a 2.3 % growth this year. The International Monetary Fund (IMF) is assuming that the economy will grow by 2.0 %.

In particular, the behaviour of consumers in bringing major purchases forward to avoid higher VAT from January 2007 is likely to boost domestic demand in Q4 2006. However, this is merely a time-related shift in spending, since the overall trend in disposable income is likely to be restrained. Consequently, in 2007, there is again no significant increase in real private consumption in sight. LUDWIG BECK is not going to pass on the entire increase in VAT to its customers.

LUDWIG BECK is entering the last quarter, which is traditionally strong in terms of sales and earnings, with confidence and expects to see a sharp increase in its profits in 2006. One reason is that this year too, the "Store of the senses" department store will again be transformed into a fantastic "Christmas House" for the Advent period and will enchant its many visitors with a diverse spectrum of promotions.

LUDWIG BECK aims to implement its trading-up strategy to ensure its flagship store at Marienplatz present itself as a true pièce de résistance among German fashion department stores, with even better product ranges and above all, even higher quality products. It will continue to follow this proven course in its restructuring and design of the entire "Store of the senses".

The Management Board is currently holding talks in connection with the sale of the best-seller branch in Regensburg.

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 in 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](http://www.ludwigbeck.de).

Munich, October 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 30 September 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 31 December 2005.

A comprehensive description of these methods has been published in the notes to the IFRS/IAS consolidated financial statements as of 31 December 2005.

### LUDWIG BECK Vertriebs GmbH

LUDWIG BECK Vertriebs GmbH was merged with LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG as of the reporting date 1 January 2006. The merger was entered in the Commercial Register on 28 August 2006. The group accounting is not affected by this in any way.

The quarterly financial statements were subjected to a professional audit.

The sums were calculated precisely and then rounded up or down to EUR 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 - September 30, 2006,  
acc. to IASB

€m	Jan. 1 - Sept 30, 2006		Jan. 1 - Sept. 30, 2005		Jul. 1 - Sept. 30, 2006		Jul. 1 - Sept. 30, 2005	
1. Sales revenues								
- sales (gross)	67.8		68.5		23.9		24.8	
- minus sales tax	9.3	58.5	9.4	59.1	3.3	20.6	3.4	21.4
2. Other operating income		2.0		1.8		0.6		0.6
		<b>60.5</b>		<b>60.9</b>		<b>21.2</b>		<b>22.0</b>
3. Cost of materials	31.2		31.8		11.1		11.9	
4. Personnel expenses	12.9		12.9		4.4		4.2	
5. Depreciation	2.6		2.9		0.8		1.1	
6. Other operating expenses	12.1	58.8	12.2	59.8	4.1	20.4	4.0	21.1
7. EBIT		<b>1.7</b>		<b>1.1</b>		<b>0.8</b>		<b>0.9</b>
8. Financial result		<b>-2.8</b>		<b>-3.0</b>		<b>-0.9</b>		<b>-1.0</b>
of which financing expenses € 2,774k (previous year: € 2,999k)								
9. EBT		<b>-1.1</b>		<b>-1.9</b>		<b>-0.1</b>		<b>-0.1</b>
10. Deferred taxes		-0.6		-0.9		-0.1		-0.1
11. Consolidated net loss before minority interests		<b>-0.5</b>		<b>-1.0</b>		<b>0.0</b>		<b>0.0</b>
12. Minority interests		0.4		0.4		0.1		0.2
13. Consolidated net loss after minority interests		<b>-1.0</b>		<b>-1.5</b>		<b>-0.1</b>		<b>-0.2</b>
Earnings per share (undiluted and diluted) in €		-0.28		-0.44		-0.04		-0.05
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 - Sept. 30, 2006			
Non-Group sales (net)	53,909	4,571	58,480
Segment result (EBIT)	<b>1,366</b>	<b>292</b>	<b>1,658</b>
Jul. 1 - Sept. 30, 2006			
Non-Group sales (net)	18,911	1,668	20,579
Segment result (EBIT)	<b>654</b>	<b>181</b>	<b>835</b>
Jan. 1 - Sept. 30, 2005			
Non-Group sales (net)	54,048	5,029	59,077
Segment result (EBIT)	<b>1,177</b>	<b>-126</b>	<b>1,051</b>
Jul. 1 - Sept. 30, 2005			
Non-Group sales (net)	19,726	1,661	21,387
Segment result (EBIT)	<b>1,010</b>	<b>-81</b>	<b>929</b>

# Consolidated balance sheet

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

Assets	Sept. 30, 2006	Dec. 31, 2005	Sept. 30, 2005
	€m	€m	€m
<b>A. Short-term assets</b>			
I. Cash and cash equivalents	0.6	0.5	0.5
II. Receivables and other assets	1.9	1.5	3.2
III. Inventories	13.0	9.3	13.1
	<b>15.5</b>	<b>11.4</b>	<b>16.8</b>
<b>B. Long-term assets</b>			
I. Property, plant and equipment	88.2	88.9	89.7
II. Intangible assets	2.8	2.8	2.6
III. Deferred taxes	5.4	4.8	6.3
IV. Other assets	0.2	0.2	0.2
	<b>96.5</b>	<b>96.7</b>	<b>98.7</b>
	<b>112.0</b>	<b>108.1</b>	<b>115.5</b>

Shareholders' equity and liabilities	Sept. 30, 2006	Dec. 31, 2005	Sept. 30, 2005
	€m	€m	€m
<b>A. Short-term assets</b>			
I. Liabilities to banks	18.8	12.2	20.3
II. Trade liabilities	2.4	2.1	3.6
III. Other liabilities	3.7	4.7	3.5
	<b>24.9</b>	<b>19.1</b>	<b>27.4</b>
<b>B. Long-term liabilities</b>			
I. Liabilities to banks	34.9	35.1	36.2
II. Accruals	1.0	1.0	1.0
III. Other liabilities	6.2	6.6	6.7
IV. Deferred tax liabilities	4.5	4.5	4.5
	<b>46.6</b>	<b>47.1</b>	<b>48.3</b>
<b>C. Potential compensation claim by minority shareholders</b>	<b>8.9</b>	<b>8.9</b>	<b>9.0</b>
<b>D. Shareholders' equity</b>			
I. Subscribed capital	8.6	8.6	8.6
II. Reserves	7.5	8.4	6.7
III. Net income	0.0	0.5	0.0
IV. Supplementary item from minority interests	15.4	15.5	15.5
	<b>31.6</b>	<b>32.9</b>	<b>30.8</b>
	<b>112.0</b>	<b>108.1</b>	<b>115.5</b>

# Consolidated cash flow statement

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

	Jan. 1 - Sept. 30, 2006	Jan. 1 - Sept. 30, 2005
	€m	€m
<b>Cash flow from operating activities:</b>		
Net loss before minority interest, taxes and extraordinary items	-1.1	-1.9
Adjustments for:		
+ depreciation of fixed assets	2.6	2.9
+ interest expenses	2.8	3.0
<b>Operating result before changes to net working capital</b>	<b>4.3</b>	<b>4.0</b>
Increase/decrease (-/+) in assets	-3.9	-3.1
Increase/decrease (+/-) in liabilities	-0.6	0.9
<b>Net cash from operating activities (before interest payments)</b>	<b>-0.3</b>	<b>1.8</b>
Interest paid	-2.8	-3.0
<b>Net cash from operating activities</b>	<b>-3.1</b>	<b>-1.2</b>
Proceeds from disposal of fixed assets	0.0	0.7
Disbursements for additions to fixed assets	-2.1	-1.4
<b>Net cash used in investing activities</b>	<b>-2.0</b>	<b>-0.7</b>
Disbursements to minority interests	-0.4	-0.5
Payments of dividend	-0.3	0.0
Proceeds/disbursements (+/-) from the acceptance/repayment of bank liabilities	6.3	2.9
Balance of proceeds/disbursements from the reduction of other long-term borrowing (finance leasing)	-0.4	-0.6
<b>Net cash from financing activities</b>	<b>5.1</b>	<b>1.8</b>
Change in cash and cash equivalents	0.0	-0.1
Cash and cash equivalents at beginning of period	0.5	0.6
<b>Cash and cash equivalents at end of period</b>	<b>0.6</b>	<b>0.5</b>

# Consolidated equity statement

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

	Share capital	Capital reserves	Generated capital	Supplementary item from minority interests	Total
	€k	€k	€k	€k	€k
<b>Balance as of Jan. 1, 2006</b>	<b>8,590</b>	<b>7</b>	<b>8,826</b>	<b>15,471</b>	<b>32,894</b>
Net loss after minority interests			-950		-950
Dividend payment			-336		-336
Change in supplementary item				-45	-45
<b>Balance as of Sept. 30, 2006</b>	<b>8,590</b>	<b>7</b>	<b>7,540</b>	<b>15,426</b>	<b>31,563</b>
<b>Balance as of Jan. 1, 2005</b>	<b>8,590</b>	<b>7</b>	<b>8,193</b>	<b>15,530</b>	<b>32,320</b>
Net loss after minority interests			-1,473		-1,473
Change in supplementary item				-38	-38
<b>Balance as of Sept. 30, 2005</b>	<b>8,590</b>	<b>7</b>	<b>6,720</b>	<b>15,492</b>	<b>30,809</b>