Annual Report 2006

LUDWIG BECK

Ludwig Beck

KAUFHAUS DER SINNE

Key figures of the group

Key figures of the group		2006	2005	2004	2003	2002
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	101.3	101.7	100.5	93.1	95.1
VAT	€m	14.0	14.0	13.8	12.8	13.0
Net sales	€m	87.4	87.7	86.7	80.3	82.0
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	41.3	41.0	40.2	36.9	37.6
	%	47.3	46.7	46.4	45.9	45.8
EBITDA	€m	10.2	9.6	7.2	5.6	6.5
	%	11.6	10.9	8.3	7.0	7.9
EBIT	€m	6.8	5.9	3.4	2.0	2.7
	%	7.7	6.7	3.9	2.5	3.3
Result from ordinary activities	€m	3.1	1.8	-0.6	-1.6	-0.4
	%	3.5	2.1	-0.7	-2.0	-0.5
Consolidated net income (loss) before minority interests	€m	1.9	1.2	-0.2	-0.9	0.2
	%	2.2	1.4	-0.3	-1.1	0.2
Consolidated net income (loss) after minorities interests	€m	1.4	0.7	-0.7	-1.4	-0.5
	%	1.6	0.8	-0.8	-1.7	-0.6
Balance sheet						
Equity including minority interests	€m	33.8	32.8	32.2	32.9	35.0
Equity ratio including minority interests	%	31.8	30.3	28.6	29.1	30.9
Return on equity	%	5.6	3.6	-0.8	-2.8	1.2
Capital expenditure	€m	2.7	1.8	4.7	3.0	6.3
Balance sheet total	€m	106.5	108.1	112.7	112.9	113.5
Personnel						
Employees	number	543	540	587	539	563
Personnel expenses	€m	17.4	17.5	18.6	17.8	19.6
	%	20.0	20.0	21.5	22.2	23.9
Sales per employee (weighted average)	€k	260.0	254.0	217.0	209.0	196.0
Per share						
Number of shares	m	3.36	3.36	3.36	3.36	3.20
Consolidated net income (loss) after minority interest	€	0.42	0.20	-0.22	-0.42	-0.16
Dividend	€	0.20	0.10	0.00	0.00	0.00
Other details (as of Dec. 31)						
Sales area	m^2	17,706	17,867	21,520	19,910	17,080
Sales per m^2	€/m^2	5,723	5,693	4,670	4,676	5,566

A review of the year

1st Quarter

- At the end of January the head of the Executive Board **Reiner Unkel** announced his planned departure from LUDWIG BECK at the end of 2006, to join Douglas Holding AG's Management Board as Perfume Division board member.
- From February 24 to March 18 the "Store of the Senses" whisks its customers away to a magical fairy tale world: **India**, land of seductive scents and bold colours is the motto for this year's **spring promotion**, accompanied by a rich program of events.
- LUDWIG BECK presents its Annual Report for 2005 at the **Annual Press Conference on March 14**. The return to the profit zone is clearly heralded by an increase of 1.2% in gross turnover to € 101.7m (compared to € 100.5m in the preceding year).
- The New Year is off to a good start. The **first quarter** already sees a well-balanced **operating profit (EBIT)** for LUDWIG BECK and a **gross turnover of € 21.9m** (previous year: €21.9m).

2nd Quarter

- Nuremberg fashion store **Rudolf Wöhrl AG** buys the total holdings of long-time LUDWIG BECK major shareholder Karl Schleicher, along with the shares of an investment company. Wöhrl thus acquires 29.91 % of the total 3.36 million no par value shares.
- On the basis of the 2005 trading year profits, the ordinary **AGM** decides to pay a **dividend of € 0.10 per no par value share**.
- LUDWIG BECK's positive development in turnover continues in the first six months of the 2006 fiscal year. The gross turnover for the whole concern rises 0.6% to € 44.0m (previous year: € 43.7m), like-for-like gross turnover is up by 3.7 % compared to the preceding year. The company achieves a clear increase in earnings: The **operating profit (EBIT)** rises to **€ 0.8m** (previous year: € 0.1m).

3rd Quarter

- **Oliver Haller** will be appointed as of January 1, 2007 to the **LUDWIG BECK AG Executive Board** where as Chief Operating Officer, alongside Chief Financial Officer Dieter Münch, he'll take over responsibility for Purchasing, Sales and Marketing.
- With effect backdated to January 1, 2006, LUDWIG BECK Vertriebs GmbH is merged with LUDWIG BECK AG.
- The designer department on the 3rd floor presents the **brand new Autumn/Winter Collection 2006/ 2007**. International designers bedazzle visitors with quality materials, the finest fabrics and sophisticated details.
- The ground floor shines with a new splendour. September 1 sees the re-opening and extension by **60m²** of the high quality **Accessories and Leather Goods** department. This strengthens LUDWIG BECK's range in **luxury accessories** – the area for bags alone comprises about 410m². The adjoining **HAUTNAH** cosmetic department is also extended by 100m², now totalling 690m². Alongside the exquisite new additions to the range, customers can enjoy an all round **rejuvenated ambience**.
- LUDWIG BECK **remains on its path to success** and can look back on **strong an increase in results** in the first 9 months of the year. The **like-for-like gross turnover grew by 1.5 %**. As a result of the improved costs structure, LUDWIG BECK's **operating profit (EBIT)** increases by a total of € 0.6m giving a total performance of **€ 1.7m** (compared to € 1.1m in the preceding year).

4th Quarter

- Relaxation on the rise. Cosmetics department **HAUTNAH** is renovated and **extended and** is celebrating the **exclusive Feel Good Week** in October where visitors can take to an unusual relaxation course.
- Munich's new **Men's Shopping Paradise** opens its doors in LUDWIG BECK's Men's Fashion Department. Even more international designer brands and sporty casual wear for the style conscious man will be presented on almost **1000 remodelled square metres.**
- Presents of the finest form. It's Christmas again in the "Store of the Senses". **The traditional "Christmas House"** seduces its customers with magical promotions on every floor and in each department.
- Investment company **Buchanan Holdings Ltd** sells its 16 % holding to ATON GmbH.
- LUDWIG BECK achieves a **distinct increase in turnover** on comparable areas in the **2006 fiscal year**, and remains on the **path to success** with its "trading up" strategy. The like-for-like sales turnover grew by 1.8 % from € 99.6m to € 101.3m. The operating profit increased over-proportionally to € 6.8m as compared to € 5.9m in the preceding year.

LUDWIG BECK
Store of the Senses

Annual Report 2006

Highlights of the Year

+++ LUDWIG BECK superior than market projections – sales turnover on a like for like floors space basis up by 1.8 % +++

+++ Cost reduced even further – Cost proportions minimised by 0.5 points by € 39.5 % +++

+++ Strong operating profit – Disproportionate increase in EBIT by 15.6 % around € 6.8m +++

+++ Expansion of net earnings area – Annual net profit before minorities' climbed to € 1.9m +++

+++ Doubling of dividend payment – € 0.20 per share +++

+++ LUDWIG BECK share significantly better than DAX expectations – Market price growth around 29 % to € 7.63 +++

Contents

To our shareholders

Dieter Münch, (51), is a member of LUDWIG BECK AG's Executive Board. His first contact with LUDWIG BECK was as an intern back during his student days. Inspired by LUDWIG BECK's flair, he started his career in controlling at LUDWIG BECK AG upon graduation with a degree in Business Management in 1980. The appeal lay in particular in the "Magic of Numbers" and the opportunity to manage all processes in a clearly structured organisation. After working in various positions in the company, he was appointed to the Executive Board in April 1998. He has been responsible for Finance, Investor Relations and Personnel (Chief Financial Officer) since May 1999.

Oliver Haller, (38), is a member of LUDWIG BECK AG's Executive Board. The graduate in Business Management joined the Executive Board on January 1, 2007, as Reiner Unkel's successor. He took over responsibility for Purchasing, Sales and Marketing (Chief Operating Officer). He leads the company with Dieter Münch as a team. His career in retailing started in 1996 as a Buyer at Breuninger GmbH & Co. There he rose to the position of Creative Director, shaping the strategic orientation as well as company communications both creatively and in content, before joining LUDWIG BECK AG.

Dear Shareholders,

2006 was a year of change and growth for LUDWIG BECK. Supported by its consistent "trading up" strategy, the company successfully pursued its path and once again proved that its abilities in value enhancement and profitability are anchored on firm foundations.

The accompanying Annual Report delivers all facts and figures relating to the changes in 2006. You will quickly see that the insights offered here are as rich and varied as our appearance before our customers. Get to know us and our path, pursued with success based on tradition. You are welcome to accompany us a little on the way!

Dieter Münch Oliver Haller

"2006: Retrospection and Outlook"

Dieter Münch and Oliver Haller in conversation over a successful 2006, backgrounds, future visions and the sensuality in selling.

Dieter Münch: Mr Haller, it's a great pleasure to be able to welcome you to LUDWIG BECK. You are stepping into the shoes of Mr Unkel, who left the company on December 31.

Oliver Haller: Thanks. I was very excited to accept the offer to help shape the future of the LUDWIG BECK fashion house as a member of the Executive Board. LUDWIG BECK looks back on a unique history, and I am very happy to be working as part of the team to keep this very special store on its success course.

Dieter Münch: You seem to have picked a very favourable moment to join us. Looking back on last year, it was marked by a number of positive changes for us. Let's start with the figures: Having succeeded in 2005 in reversing the economic trend in what were difficult times for all retailers, we have now managed to establish LUDWIG BECK steadily in the black. In 2006 the company increased its turnover on a comparable area by € 1.7m to a total of € 101.3m – that's growth of 1.8 %.

Oliver Haller: A very respectable result, particularly when you think of the weather, which time and again puts a spoke in the wheel of textile retailers! And of course the World Cup turmoil.

Dieter Münch: Of course these factors affected us. However, we used the World Cup period to offer our customers a special shopping experience through themed promotions – such as a table football tournament with great prizes. In addition, our "trading up" strategy for the upgrading of the product range worked well in cushioning individual sources of disruption and created interesting new merchandise appeal the whole year round. Even the Christmas period business was exceptionally positive, despite the unusually mild winter.

Oliver Haller: A strategy that LUDWIG BECK has followed since 2003 and which has become a guarantor of success.

Dieter Münch: This strategy generated huge customer appeal after a relatively short start-up phase, thereby creating higher turnover. In 2006 we were able to seamlessly tie in with the initial large scale "trading up" successes of 2005. LUDWIG BECK AG, which as ever includes the flagship store at Munich's Marienplatz, the LUDWIG BECK branches and the LUDWIG BECK fashion warehouse outlet, reached a like-for-like sales turnover growth of 2.9 %. We knew that our multifarious efforts had paid off and that we could proceed highly motivated on this course in 2006. "Trading up" – that's easily said. At LUDWIG BECK this strategy was made up of an extensive catalogue, consisting of the ongoing revaluation and refinement of the product range through the integration of additional exclusive and attractive brands. By gradually extending departments in the high frequency areas – in particular the ground floor – we have created space for new high class offerings. The product range now follows the rhythm of the brand presentations more closely and also reached a higher level in 2006. The consistently exclusive product range has been welcomed by our customers – they are absolutely appreciative of the new space management.

Oliver Haller: The extension and branded charging of the core departments is a process we'll continue with good reasons. Recent growth and the trend towards prominent products speak a clear language. But let's go back to space management. 2006 saw noteworthy remodellings. Many departments, such as Accessories and Leather Goods, Men's Fashion and HAUTNAH were renovated and extended last year. Events which were even echoed in the media.

Dieter Münch: 1000 m^2 in the basement for Men's Fashion, 100 m^2 more for HAUTNAH – these are areas that lift the impact of exclusive ranges to a totally new level.

Oliver Haller: The branch concept can be seen as the second string to the LUDWIG BECK's bow.

Dieter Münch: Yes, we've also been striving over the past year to further optimize the branches. While the LUDWIG BECK branches and fashion warehouse outlet achieved good turnover, we disposed of one of our mono-label stores in Regensburg. Overall, we have strengthened our concentration on the "Store of the Senses" which once again last year contributed to 80 % of our company turnover.

Oliver Haller: That's a clear signal for a distinct market positioning.

Dieter Münch: Indeed. Once again, all further measures – just think of our annual promotions at the Marienplatz flagship store – have contributed wonderfully to our business performance. Promotions such as "Enchanting India" or "HAUTNAH Feel Good Week" – the character of our events, the sensual shopping experience, the ongoing suspense and anticipation, – have enabled us to marvellously project all our key values like first class service and the quality of our products.

Oliver Haller: So, the face of LUDWIG BECK is acquiring an even more distinctive contour?

Dieter Münch: Absolutely. Our brand identity is long established and enjoys high public recognition.

Oliver Haller: The company structure had to keep pace with these developments, and also had to be even more strictly applied.

Dieter Münch: You mean the merger of LUDWIG BECK Vertriebs GmbH with LUDWIG BECK AG. The Vertriebs GmbH was responsible for the franchise activities of our mono-label stores. For structural clarity, this is now found under the integrative business umbrella of LUDWIG BECK AG.

Oliver Haller: What were the distinguishing features of share developments in 2006? Were there changes to the shareholder distribution?

Dieter Münch: LUDWIG BECK issued 3.36m no par value shares. As regards the shareholder composition, the free float at end 2006 amounted to 70 %, of which diverse private shareholders held 49 % and institutional investors 21 %.

Oliver Haller: Nuremberg's Wöhrl fashion store has become the biggest shareholder in LUDWIG BECK AG.

Dieter Münch: Yes. Wöhrl took over holdings from Karl Schleicher (until then our biggest private shareholder) as well as those of another investor. The total volume of this reallocation of 1,005,001 shares corresponds to a total holding of 29.91 %. With Wöhrl as main shareholder, we have acquired a capable and long-term partner with over 70 years experience in the retail business.

There was, however, a second decision to which our shareholders responded particularly positively: for the first time since 2001 LUDWIG BECK distributed dividends of € 0.10 per eligible no par value share, as a result of the excellent results in 2005. This gave the clear signal that LUDWIG BECK had conclusively succeeded in reversing the economic trend, and thus thanked the shareholders for their trust.

Oliver Haller: Can we offer our shareholders a similarly pleasant prospect for 2007?

Dieter Münch: Actually, an increase is possible. Since performance remained high in 2006, the Executive Board and Supervisory Board will propose a doubling of the dividend to € 0.20 at the AGM in May 2007.

Oliver Haller: We already have big plans for 2007. For instance, the comprehensive renovation of the façade, passage and of the ground floor of our flagship store will soon be catching the visitors' eyes. The building works will ensure that, alongside the splendour of Munich's City Hall, we will remain the second attractive eye-catcher at Munich's Marienplatz in years to come. Further enhancements to the product range will, as everyone's come to expect, provide exciting highlights with international brands.

Dieter Münch: Can you tell us something about marketing and communication?

Oliver Haller: A further "trading up" and a clear brand profile promotion will take place in LUDWIG BECK's Marketing Department. That means that in the future our advertising campaigns and our public image will reflect an even higher and more exclusive quality. Our already high quality image will experience a further rise.

2007's marketing campaign will tie in with tried and tested advertising channels and stylistic devices, but will be less colourful and funky, rather more sophisticated and stylish. Our advertising will thus reflect kinship with the international trend brands that make up our product range.

Dieter Münch: Last year the new face of LUDWIG BECK was evinced, for instance, in our remodelled, fresher and more grown up internet presence. This provides high quality information in straightforward fashion, appealing to customers, the Press and investors alike. Amongst others, this includes the important field of financial communication, which has been reorganized to be as up to date and transparent as one could wish.

Oliver Haller: So, everyone who knows our business can feel good in looking forward to the developments of the coming year.

Dieter Münch: Needless to say, there were uncertainties at the start of the year regarding how we would pass on the increase in VAT to our customers. We found the right answer, in that the additional 3 % hardly makes an impact on our price formation. Stability, trust, security – LUDWIG BECK can also confidently attend to these demands.

Oliver Haller: Change based on tradition – this is the picture of LUDWIG BECK that I have had up till now. And it's a wonderful challenge to be able to help shape this picture – created from a unique sales culture. Therefore I'd like to thank my predecessor Mr Unkel, who left me such great starting conditions through his work with you all before his departure.

Dieter Münch: As his long-standing colleague I can only second that. This change to the Executive Board is part of a very successful business year full of changes. With almost 10 years' service at LUDWIG BECK, Reiner Unkel left a characteristic mark on the company and always showed himself a man of vision, and fit for the future. I wish him continued success in his new position as Perfume Division board member at Douglas Holding AG, and would like to thank him for just under a decade's exceptional collaboration.

Oliver Haller: Let's start there and shape the coming events together. You always say "The future belongs to LUDWIG BECK". After my short time with LUDWIG BECK I can only endorse this. I am greatly looking forward to the coming year!

The company LUDWIG BECK

Awaken aspirations, make dreams come true, give a good feeling.

How LUDWIG BECK energizes the shopping thrill

There are department stores and there is LUDWIG BECK. The difference is more easily described in emotions than in words, with sensual persuasive power, living passions or the allure of high quality products and the magnetic aura of the unique lifestyle they promise. Thus "Store of the Senses" is the logical name for LUDWIG BECK's flagship store at Munich's Marienplatz. It is found at the pulsating heart of a catchments area of some 2.7 million people, including many tourists from around the world. Could anyone imagine a better location?

On this famous square, advice and selling has become a passion for our motivated team. Likewise, shopping has become an exceptional experience, celebrated with complete dedication by an ever-growing customer base. Concealed within this is perhaps the secret of LUDWIG BECK's years of unbroken success: that describes the act of shopping removing out of its everyday context into a heady world of bewitching sensual allure, fantasy-rich compositions, captivating motto events and needless to say an exclusive product range. Hardly a resident of Munich – concerned about outstanding shopping culture, valued service and quality without compromise – can resist the magical magnetism.

But LUDWIG BECK is much more. Almost no other comparable shopping concept more convincingly marries tradition and modernity, current trends and timeless individual values. This rare claim, which only a strong brand can honour, doesn't come about by accident. The traditional Munich button maker and dress trimmer Ludwig Beck who in 1861 launched an unparalleled business development, was a magician of creativity and the dreams of his (also royal) patrons. He left no single wish unfulfilled.

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An eventful story of success.

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 sales-women 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. LUWIG 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. Silk, 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 splendour.

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 Marienplatz 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.

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 back". This climbs to number 1 in Munich.

1990
The newspaper Petra presents "the world's most beautiful department stores" in its November issue. LUDWIG BECK am Rathauseck is ranking 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 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.

1998
LUDWIG BECK goes public. The issue price lies at the upper end of the book building range with DM 34.00. The shares are oversubscribed approximately ten-fold at the closing of the subscription.

1999
And it gets even better! With a net income of € 5.8m, 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 lingerie department is restructured and the HAUTNAH cosmetics department and the department for Lingerie & Dessous are opened.

The new sales channel is called a "fashion warehouse outlet", which LUDWIG BECK opened up with an outlet 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 or the flagship store are reconstructed and reopened. LUDWIG BECK again achieves a considerable sales plus.

2005

LUDWIG BECK is again on the path to success. Numerous successful events are very popular with customers and render sales. The company records a net income of € 0.6m and distributes a dividend of € 0.10 for the first time after three years.

2006

LUDWIG BECK continues the positive developments of 2005. Even more international designer brands are presented on almost 1000m^2 of remodelled sales floor. With an increase in like-for-like turnover of 1.8 % to €101.3m, LUDWIG BECK achieves an annual surplus of €1.4m and doubles dividends to € 0.20.

LUDWIG BECK locations at a glance:

LUDWIG BECK flagship store in central Munich

LUDWIG BECK "Store of the Senses" Munich

LUDWIG BECK HAUTNAH at the FÜNF HÖFE Munich

LUDWIG BECK mono-label stores

ESPRIT at the OEZ Munich

s.Oliver Regensburg

s.Oliver at the Regensburg-Arcaden

LUDWIG BECK multi-label branches

LUDWIG BECK at the PEP Munich

LUDWIG BECK at the Riem-Arcaden Munich

LUDWIG BECK at the City-Galerie Augsburg

LUDWIG BECK at the City-Center Landshut

LUDWIG BECK fashion warehouse outlet

LUDWIG BECK fashion outlet Parsdorf/ Munich

LUDWIG BECK's universe

Our success strategy is carried on strong pillars:

- The core business at LUDWIG BECK's flagship store is the traditional guarantee of growth. Its discerningly presented multi-label product range serves customer desires in the upmarket price segment.
- LUDWIG BECK multi-label branches in the major shopping centers of Munich, Augsburg and Landshut cater in particular to the young fashion-conscious target group, with products in the moderate price range.
- Internationally established fashion brands such as ESPRIT and s.Oliver are carried in the LUDWIG BECK mono-label stores.
- The LUDWIG BECK fashion warehouse outlet at Parsdorf near Munich affords additional turnover potential in retailing.

"Store of the Senses" – the company flagship

In the whole spectrum of department store retail competition, the LUDWIG BECK flagship store at Marienplatz occupies one of the top positions. In Munich – even Germany wide – it's considered as the top address for exclusive shopping, high quality of experience and selected brand quality. Its enormous range of offerings, inventive product range, the open opportunity to identify with a well-known institution for choice fashion and more – all that makes the "Store of the Senses" the profitable flagship of LUDWIG BECK AG.

Here our team of around 500 employees earn over 80 % of our total turnover on approximately 11,000m^2 of sales area in the center of Munich.

Wanting to give this success even more space, we extended the founding store at Marienplatz with the addition of the HAUTNAH branch in the equally centrally located FÜNF HÖFEN. This new premise is the perfect symbiosis between a highly attractive cosmetic concept and a shopping oasis renowned for its fine quality.

Outstanding earnings conditions

The "Store of the Senses" has its ancestral home right next to Munich's town hall, opposite the picturesque fish fountain. Day after day, half a million visitors from Munich and around the world cross the Marienplatz, right on our doorstep. An enormous attraction which makes this location one of the most coveted business addresses in Europe.

Our research shows that the majority of our customers are in the free-spending 29 to 49 year old target group, with 80 % being women. The typical LUDWIG BECK customer is fashion conscious, spontaneous and markedly interested in quality. She enjoys a communicative lifestyle, has a metropolitan outlook and is usually employed and well-to-do.

If you want to understand the secret of success behind our good figures, simply treat yourself to a shopping trip at LUDWIG BECK! Even at the very first glance the exceptionally creative (even for Munich standards) window displays will catch your eye. The sales team is famous for its discreet assistance as well as its professional knowledge, which is the envy of other retail businesses. So it goes without saying that even the most demanding customers will find themselves in good hands – even if it's just before closing time. The entire sales floor is swathed in an atmosphere of sensuality and exclusivity. Special promotions throughout the year act as a magnet and charge our brand territory with additional emotion and buying incentive.

"Trading up" – further upwards

What particularly distinguishes LUDWIG BECK is its inventive interaction with its own branded products and international cult labels, surprising the senses with presentations of the highest quality. Our brand presence seems playful, free and easy, even taken for granted. However, it is the result of now four years of consistently implemented "trading up" strategy – the new root of our entrepreneurial success.

Our activities to implement a resounding "trading up" were and are multifarious. They include efficient space management and the enlargement of important departments (HAUTNAH, Accessories and Leather Goods and Men's Fashion in 2006), attractive in-house promotions, our rejuvenated internet presence and of course, a revaluation of the product range driven without compromise. Even the best can be improved. With this in mind, we will continue in future to present ourselves of even higher class, even more exclusive and offering even richer experiences to our customers. Because LUDWIG BECK has always striven to be the show-piece of the German fashion department stores.

Ready for new paths

The best endorsement of our chosen path comes from our customers on a daily basis. An untouched lead position in the comparable market is the logical consequence. But this is no excuse to lie back and sun ourselves in the retail success. In 2007, LUDWIG BECK will give the flagship store façade a new face in a grand scale construction project. As part of this, we will also change the entrance area, increase its attraction and concentrate high quality product offerings in this location. It goes without saying that LUDWIG BECK is sticking to its successful "trading up" strategy, which is the year-round benchmark for product selection in all ranges.

Our range – everything out of the ordinary

There are customers who value the "Store of the Senses" as a competent speciality store in all areas. Others want above all to dive into the experiencial paradise of the cheerily filled shop floors. Still others come regularly, finding their trend brands and feeling at home in our temple to lifestyle. Some products – for instance an unusual jazz CD – can only be found as fast and easily here in our flagship store. That makes us a market leader in some sections of our wide range of goods. LUDWIG BECK has many faces. They are as multi-facetted as those of our customers.

A walk through the departments of LUDWIG BECK's flagship store

Florilegium –
HAUTNAH cosmetics

There are customers who are simply addicted to our now widely known beauty oasis. That's not surprising when you think of all the make-up, peelings and care products on the ground floor that take care of outer and inner well-being, found on the ground floor surrounded by fragrant creations. Kiehl's, M.A.C., Bobbi Brown, Aesop, BioCol, Dr. Sebagh or Jo Malone – these are the cult brands that women entrust their beauty to – and increasingly so do men too! HAUTNAH itself has had a comprehensive lifting and unfurls its beauty magic over 690m^2. A spa area is attached to the high class cosmetic department, with enticing treatments from Aveda and La Mer. A personal hair coach carefully attends to each strand and our O.P.I. specialists have a steady hand in the nail studio. Just as pleasantly distinctive is the HAUTNAH branch in the FÜNF HÖFE – the Munich shopping paradise for the discerning taste. Here too entice individual fragrances and perfumes from Carthusia, The Different Company, Hotel Costes or Narciso Rodriguez along with the exclusive to LUDWIG BECK hair care line of star hairdresser Marc Booten.

It's a man thing –
Men's Fashion

The basement Men's Fashion department also enjoyed a further product range upgrading and enlargement in sales area. Now spread over 1000m^2, the style conscious man has even more international designer names for business, leisure and celebrations to choose from. The exclusive selections are found in an easily navigated environment, supported by experienced advisors – allowing customers to make quick and effective buying decisions. The brand spectrum includes amongst other, ready-to wear labels Toni Gard, René Lezard, Z Zegna, Armani Collezioni and leisure brands Polo Ralph Lauren, Murphy&Nye, Zegna Sport and Gant. Immediately next door, the men's underwear department leaves nothing to be desired.

Leave the daily routine behind –
Modern Women's Combination Fashion

Bruuns Bazaar, by Malene Birger, Designers Remix and Filippa K – that is just a selection of the unique northern designer labels displayed in our brand new fashion department on the first floor, next to labels such as Patrizia Pepe, Max & Co., Sandro, Marc O'Polo, Napapijri ... the list goes on. Thanks to the clear presentations of these high quality brands in well structured fresh displays, the fashion conscious woman's shopping experience becomes just one thing – wonderfully uncomplicated!

Simply tops –
Lingerie and Ladies' Underwear

The 1st floor of our clothing store holds the stuff of the most alluring dreams. No woman can resist the sophisticated designs and almost sinfully fine fabrics spread over 400m^2, as is guaranteed by distinguished brands including Malizia, DKNY, La Perla and Dolce & Gabbana. Relax back in a comfortable chair listening to soothing music through your headphones, and reflect on your lush shopping experience.

Entrancingly beautiful –
Knitwear, Shirts and Trousers

A woolly heart-warming variety of knitwear is on offer on the 2nd floor. Light cotton yarns, fine new wool, silky soft cashmere from Repeat, Public or Passport caress the brand conscious shopper and allow them to dive into a sea of colours, styles and materials. Our own brand "CLASSICS by LUDWIG BECK" completes the list of stars. Coordinating trousers can be found just a few steps away; chose from casual, business-like, trendy or timeless and from well-known brands like BRAX, MAC, Rosner and Cambio.

Hits for kids –
Children's Fashion

It's never to early to start developing one's fashion foibles, which is why on the second floor you'll find brand clothing for children from 0 to 14 that is not only good looking. For instance, Kenzo has enchanting summer dresses for small fairies, Polo Ralph Lauren offers sporty check shirts and denim jackets and Tommy Hilfiger Kids cool hooded sweatshirts. Young design fans wear Replay, Diesel and DKNY in the classroom as well as the playground. And so it doesn't get boring for the little ones, LUDWIG BECK has even installed a play corner with Gameboys.

Not half bad –
Paper supplies

Everything you can think of in the realm of hand-made paper and cardboard is on display on the second floor. Boxes, notebooks, Munich's biggest selection of wrapping papers and over 1,800 postcards – there's no better place to lazily browse the selection, get inspired and contemplate your purchase. And that's not all, there's the lure of Süddeutsche Zeitung magazine's shop next door with its witty lifestyle accessories and tantalising trend products.

Something to show off –
Designer wear, Coats, Jackets and Evening wear

The third floor is home to 800m^2 of internationally famous fashion labels. Here even the most demanding customer will find her favourite designer and personal style. The collections cover the full spectrum of fashion exclusivity including the fashion houses of Strenesse Gabriele Strehle, St. Emile, Orwell, Akris punto and René Lezard. The Outdoor department opens in doors in the winter season with a cosy program of coat and jacket brands such as Max Mara, Cinzia Rocca, Airfield, Dinomoda, and Gil Bret. And stylish night owls will find evening wear from Niente, Nicowa and Vera Mont.

A piece of joy
Accessories and Leather Goods

With a new face and now 410m^2, LUDWIG BECK demonstrates its unique talent in selection, brands and ambience in this exquisitely attractive department. Leather goods and accessories of every shape and style – whether bags, belts, hair slides, broaches or scarves – but always in exceptional brand quality. A Munich one-off for variety, it will make the heart of any fashion conscious shopper skip a beat. The beautiful pieces are from design houses such as Mulberry, Longchamp, Armani, Boss and Etro and can be found on the ground floor of our flagship store.

Made to measure –
Plus sizes

LUDWIG BECK has the expected brand quality and lots of good cuts even for customers with somewhat weightier criteria. Brands such as Sammon, Marina Rinaldi, Oui & Co., Elena Mira, Mariella Burani and Salie Sahne can be found on the third floor.

Up to date the whole year round –
Swim fashion

The latest beach and pool wear fashions on the hangers from January to December! Which other store can match that? There's always a holiday feeling in LUDWIG BECK's third floor, and you'll not find a bigger range of swimwear and accessories. New collections to catch your eye from names such as La Perla, Bogner Fire & Ice, Dolce & Gabbana or Princess Tam Tam.

Fresh and cheeky –
Young designer fashion

Watch out, here come the wild ones! Be surprised on the fourth floor by design names which deserve a big future, like Belstaff, Girbaud, Boss Orange, Rock & Republic and See by Chloé. Why fly to London when you can get the hippest look in the "Store of the Senses"? The department is a trendsetter for everything new, creative and experimental in young fashions. You'll often find guest DJs setting the right scene for showcasing the wares in surprise live events.

An undreamt of world of sound –
Music

No musical desire is eccentric enough not to be fulfillable at LUDWIG BECK. The personnel, all without doubt connoisseurs of the classics and jazz, usually find the right CD in a tick – which may hardly be available in other stores. With over 120,000 available titles it's not a surprise that Europe's biggest classical music department is at home at LUDWIG BECK – taking about 1 % of the world's market turnover! Of course you'll also find everything else that's popular and famous on the fourth floor, for instance conductors and stars who pop by for signing sessions. Should your ears want even more caressing, come to our audio-book department – also the biggest in Munich.

The art of legs –
Socks and stockings

Munich's best stocked sock department is entered from Dienerstraße. For the little black dress, the golf weekend, for lustful looks, the hiking tour or the right stockings or socks for traditional costume festivities – there is something here for every wallet.

For Connoisseurs –
DICHTUNG & WAHRHEIT (Fact & Fiction)

When exquisite wines and fine literature meet, our stylishly cultivated customers consider themselves to be in paradise. And it's not hard to reach; right next to the flagship store in a vault at no.2 Burgstraße. Guided by Goethe's biographical motto, you can abandon yourself to the Italian delicatessen and outstanding wines from the house of Garibaldi – and a book range with promising titles which don't belong in the mainstream. Thanks to the eagerly awaited tastings and literature readings, the cultural life of Munich cannot imagine being without this center for body and soul. New releases are presented to a marvelling public with a full-bodied Chianti. A steady stream of renowned literati meet with an expectant LUDWIG BECK customer audience.

Short and sweet –
Haberdashery

It all started with ribbons in every colour, material and width, yarns, cords, buttons and lace. Back then LUDWIG BECK soon led the market with its range, and even today the haberdashery department at no.7 Burgstraße is one of Germany's biggest for sewing supplies. When on Wednesdays individual knitting consultations take place in front of the 12m wall of wool, when visitors from many regions search for and find something really special, when you can still chose from an abundance like in the good old days – then today's sales assistants can rightly be proud of a long and successful tradition.

Year-round action!

They are loved and impatiently awaited by Munich residents – the many extraordinary shopping events in the "Store of the Senses". It's part of our shopping culture: From time to time presenting a dazzling, exquisite product world from a completely new angle, creating an experience which is talked about around town.

February

"Enchanting India" – can you imagine a more sensual country than the mysterious subcontinent, with its exotic spices, luscious clothing, fascinating visual language and mythology? LUDWIG BECK whisked its customers away to this exciting unknown world of Maharajahs and temple dancers with a brightly coloured program showcasing Indian haute couture, cushions, scarves, materials, body care products and flair aplenty.

May

In May LUDWIG BECK invited its customers to the "Concert of the Senses". This well attended event in the Allerheiligen Hofkirche is a tribute to the company founder's birthday. This year saw a tryst of celebrated pianists under the motto "Classics Fortissimo" with pieces from Schubert, Beethoven, Mozart and other major composers. Proceeds from the event were donated to Peter Maffay's Tabulaga Foundation, which is dedicated to the training and promotion of musical therapies for teenagers.

June and July – the football World Cup

The ball was also round at LUDWIG BECK – but a game sometimes lasted more than 90 minutes, for instance at the table football competition on the fourth floor. Further World Cup promotions at the "Store of the Senses" contributed to the successful German summer fairy tale in Munich's city center.

October

The opening of the enlarged cosmetic department was celebrated with the HAUTNAH "Feel Good Week" – with free treatments, individual style consultancies from make-up artists, massage and lots of surprises for fragrant-fresh relaxation in a reviving atmosphere.

Advent

Sweet scents, fir branches, sleigh bells ... thousands of visitors made the pilgrimage to LUDWIG BECK's "Christmas House" despite the lack of snow, enjoying the bright lights and seasonal treats. Everything you could possibly imagine for the "Festival of Love" as far as the eye could see: Christmas tree decorations, handicrafts, tags for presents and boxes – for which contents galore could be found by visitors young and old on the other floors of the store.

Brand variety

+++ Acqua di Parma + Akris Punto + Armani Jeans + Aubade + Aveda + Belstaff + Benefit + Betty Barclay + Bikkembergs + Bobbi Brown + BOSS Orange + BOSS Woman + BRAX + Cambio + Caspar David + Chantelle + Cinque + Closed + Coccinelle + Creed + Culti + D&G + Decléor + Diesel + Dinomoda + Diptyque + Drykorn + Ed Hardy + ESPRIT + Etro + Fred Perry + Furla + G-Star + Gant + Gerry Weber + Girbaud + Hanro + Hirsch + HUGO + Jacques Britt + Jo Malone + JOOP! + Kiehl's + Korres + L'Occitane + La Mer + La Perla + Lacoste + Lamarthe + Longchamp + Lejaby + Ligne St. Barth + Louis Féraud + M.A.C. + MAC + Malizia + Mandarina Duck + Marc Aurel + Marc Cain Collection + Marc O'Polo + Max & Co. + Mexx + Missoni Sport + Molton Brown + More & More + Moschino Cheap & Chic + Mulberry + Murphy&Nye + Nannini + O.P.I. + Origins + Orwell + Otto Kern + oui + Passport + Patrizia Pepe + Polo Ralph Lauren + René Lezard + Repeat + Replay + Riani + Rock & Republic + Roeckl + Rosner + s.Oliver + Schiesser + See by Chloé + Seidensticker + Serge Lutens + Seven for all Mankind + St. Emile + Street One + Strellson + Strenesse Gabriele Strehle + Taifun + Thomas Burberry + Tommy Hilfiger + Toni Gard + Triumph + Valentino Red + Windsor + Woolrich + Z Zegna + Zegna Sport +++

Branch stores – the second string to our bow

Our branch concept forms the second strategic pillar of our corporate strategy, alongside our high-turnover flagship store. The LUDWIG BECK multi-label stores, mono-label stores and the fashion warehouse outlet aim to round off the retail spectrum around our core business in Munich city center. In addition, their particular orientations reach out to further interesting target groups.

LUDWIG BECK multi-label branches:
Fashion at a modest price

Our four fashion stores are found in the large shopping malls on the outskirts of Munich, in Augsburg and Landshut. They particularly appeal to young shoppers who are both trend and price conscious in their selection of medium-priced fashion and lifestyle products. The LUDWIG BECK brand is absolutely trusted, the first class advice and up-to-date and sensibly priced collections are our guarantor of success.

LUDWIG BECK mono-label stores:
Parallel success

Three stores, each with a well-known clothing brand are located in Munich and Regensburg. LUDWIG BECK uses these vertical sales channels to secure further market share through trading in strong brands under a single brand umbrella. The company thus profits in the growth of heavy-turnover fashion brands such as s.Oliver and ESPRIT. This field will continue to be optimized in the future and adapted to our strategic orientation.

LUDWIG BECK LUDWIG BECK fashion warehouse outlet:
Outlet not only for insiders

At Parsdorf near Munich our warehouse outlet nourishes a further lucractive sales channel. Located next to "Feinkost Käfer" and the Segmüller furniture store, the LUDWIG BECK fashion warehouse offers ongoing good value special offers and end of lines. Dealing in high quality brand fashions, the demand is correspondingly high the whole year round.

Shopping at LUDWIG BECK ...

... is always a highly sensual occasion. No wonder that our operating figures are also so comfortable to read.

The stock & corporate governance

The 2006 trading year

Rapid returns in stock exchange values around the globe

The celebratory mood of the last three years continues in international financial centers. The IPO boom was sustained in 2006, worldwide new issues of over 1500 initial public offerings earned 227 billion $ proceeds.

DAX jumps the 6000 point barrier

Shares on the German stock market in particular can look back on a satisfying trading year in 2006. 70 companies dared to go public – compared to just 19 in 2005. The DAX – the biggest German stock index – gained 22 %, exceeding even the boldest expectations. Whereas at the start of the year a DAX potential in excess of 6000 points might have seemed presumptious, on the last day of trading in 2006 the stock price barometer closed at 6,597 points.

German stock markets ahead

Even though the stock markets of other European countries and the USA showed a distinct increase, German shares lay clearly ahead in the major comparative indices. The Euro Stoxx 50 registered an increase of 14 % (closing rate 4,119.94) and the US stock markets also gained value again last year after the stagnation of recent years. The Dow Jones achieved an increase of around 16 % (closing rate 12,463.15) and the technology stock market NASDAQ reached a growth of 10 % (closing rate 2,415.29).

Alongside the established markets, the stock exchanges of the emerging nations enjoyed rapid growth: China's Hangseng up 30 % (closing rate 19,964.72), India's Sensex up 42 % (closing rate 13,786.91), Russia's RTX up 68 % (closing rate 2,744.34) and Brazil's Bovespa up 30 % (closing rate 44,474.00).

Surprises from second-line stocks

Many strategists were surprised by the buoyant market trend of German second-line stocks. The M-DAX and S-DAX once again outperformed the DAX. Both were up by about 28 % in the last year. The second-line stocks index M-DAX closed on December 29, 2006 with a new all-time high of 9,405 points, while the S-DAX ended the year at 5,567.36.

The LUDWIG BECK share

LUDWIG BECK share still on the path to success

The 2006 fiscal year was marked by a highly dynamic and successful development for LUDWIG BECK, with the fashion group's share reaching its highest price since 2003.

Again, the share, listed on the Prime Standard, managed to finish the year better than the DAX. This is even more remarkable in light of the great success and several-year high achieved by the most important German stock index in 2006. After the LUDWIG BECK share closed out 2005 in XETRA with a year-end price of € 5.85, the price had climbed to € 7.63 as of December 29, 2006 and therewith increased by 29 %. The share experienced its year low right on the opening day (January 2, 2006) with a price of € 5.95.

The LUDWIG BECK share at a glance (Dec. 31, 2006)	
Number of shares	3.36m
Year-end price	7.63 €
Year-high price	9.65 €
Year-low price	5.95 €
market capitalisation	25.6m €
Reuters code	ECK
SIN	519 990
ISIN	DE 0005199905
Designated Sponsor	BHF-BANK AG Frankfurt
Stock exchanges	Official trading in Munich and Frankfurt XETRA unlisted trading in Berlin, Stuttgart, Düsseldorf, Hamburg
Segment	Prime Standard

It reached a tremendous year high on April 24, 2006 with a price of € 9.65. The market capitalization amounted to € 25.6m on December 31, 2006.

Earnings per share more than doubled

Finally the return to profits could be celebrated in 2005, and in 2006 the trend reversal has been stabilized and expanded: The operative earnings and positive quarterly figures of the lapsed fiscal year justified the investors' confidence; the LUDWIG BECK share price increases were consistent and satisfactory.

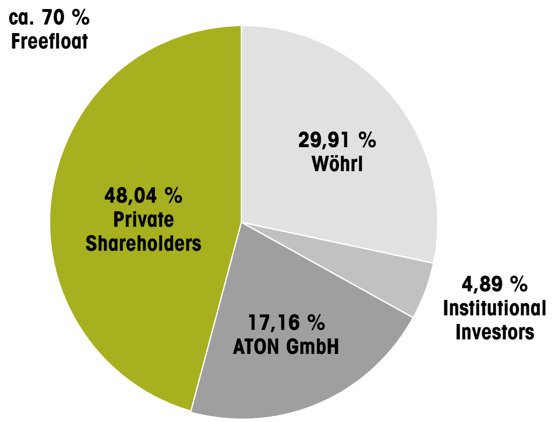
Based on consolidated net income after minority interests in the amount of € 1.4m, LUDWIG BECK more than doubled the earnings per share, which come out to € 0.42. This yields a PER of 18.1 as of the end of the fiscal year.

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

Successful start to the year 2007

The capital market honors the business performance of the fashion company also in the current year. On March 1, the company's share price was € 8.20. The achieved market capitalization was € 27.6m.

Shareholder structure undergoing change



as of December 2006

The shareholder structure of the LUDWIG BECK share is analyzed every year. The study from September 30, 2006 was conducted on the basis of 3.2m responses. This equals participation of some 93 %.

The composition of shareholders has changed considerably in comparison to the previous year. In April 2006, the Nuremberg-based fashion store Wöhrl AG announced the acquisition of all holdings of the long-time LUDWIG BECK major shareholder Karl Schleicher and another investor. The reallocation volume of 1,005,001 shares corresponds to 29.91 % of the total 3.36m no par value shares. Hence, the Nuremberg fashion store is the biggest shareholder in LUDWIG BECK AG.

All in all, LUDWIG BECK AG has approximately 3,600 shareholders at present. The free float amounts to 70 %. 17 % of the shares of "Institutional Investors" are held by ATON GmbH, an investment company with its registered seat in Fulda. ATON GmbH acquired the shares from the long-time institutional investor Buchanan Holding Ltd in December 2006.

Dividends doubled

Last year the resumption of dividend payments in the amount of € 0.10 per share was resolved. This year the Executive Board and Supervisory Board will propose to the General Meeting scheduled for May 25, 2007 to increase the dividends to € 0.20 per share. This equals a doubling of dividends and reflects the distinct development of the company into a strong and reliable dividend title.

Shareholders' Meeting

More than 99 % approval

For many years, LUDWID BECK has organized and conducted its AGMs with the proviso that all shareholders are informed promptly, comprehensively and efficiently, which allows them to exercise their rights more easily.

At the forefront of the AGM, the business report and the invitation to the meeting provide shareholders with comprehensive information on the lapsed fiscal year and individual items on the agenda of the upcoming AGM. In order to render voting more comfortable for the shareholders, LUDWIG BECK provides a voting representative. All documents and information concerning the AGM as well as the business report can also be found on our website. This way the exchange between us and our shareholders can be promoted and simplified.

The 2006 AGM was very well attended like it used to be in previous years: Our invitation to the scheduled AGM on May 26, 2006 was again accepted by more than 500 shareholders. Approximately 59 % of the share capital was represented overall with 1,968,093 shares overall. The AGM took place in Munich as usual.

The proposal of the Executive Board and Supervisory Board was accepted by a great majority of shareholders at the AGM, which resolved to distribute a dividend of € 0.10 per share. With 3.36m shares entitled to a dividend, the distributed sum was € 336k in the fiscal year 2005. The remaining balance sheet profit in the amount of € 115t was transferred to profit reserves.

The Executive Board and Supervisory Board 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 2006 fiscal year.

Investor Relations

Our aim is to create a high degree of transparency and we demand high standards for our corporate communication in order to provide all relevant target groups with the same information at the same time. Being in dialogue with institutional and private investors is our preferred way to present the business model and activities of LUDWIG BECK in a comprehensible and clear way in order to enable an adequate valuation of our share.

A milestone was last year's complete re-launch of our website **www.ludwigbeck.de**. It now meets all technological and content requirements of modern and timely online communication. Here our private and institutional investors as well as analysts, economic journalists and other interested parties can inform themselves promptly about current group developments. Our financial calendar keeps our investors informed about all important dates.

Furthermore on our website we publish all kinds of financial information, ad hoc announcements, presentations and speeches of LUDWIG BECK AG as well as information around our share. The company's articles of association as well as information concerning the implementation of recommendations and suggestions of the German Corporate Governance Code can be retrieved.

Within the scope of our Investor Relations activities we carry on regular conversations with analysts and institutional investors: In addition to the balance sheet press conference on March 14, 2006 and the AGM on May 24, 2006 we hosted a DVFA analysts' conference in Frankfurt on March 20, 2006.

All in all we have informed the financial community with a total of nine Corporate News and four ad hoc announcements about major events at LUDWIG BECK. According to § 15a, Securities Trade Act (WpHG) the members of the Executive Board and Supervisory Board of LUDWIG BECK AG as well as certain executives and closely related person are obligated to disclose the acquisition or sale of LUDWIG BECK shares and the related financial instruments. Last year we published one of these so-called directors' dealings reports. All information can be found on our homepage. Furthermore, we provide all business reports since 1998 as well as all quarterly reports published so far.

We will continue on the path of open and trustful communication in the future and will further develop and improve our activities in this area.

Corporate Governance

All recommendations met

Corporate Governance comprises a company's entire management and control system. Efficient and transparent Corporate Governance strengthens the trust of national and international investors, financial markets, business partners and employees as well as the public in LUDWIG BECK AG. A responsible and transparent management concept oriented towards sustained value adding has always been of great significance at LUDWIG BECK. We are striving to justify and deepen the trust shown by investors, financial markets, business partners and the public. Since April 2003, the company has complied with the recommendations of the German Corporate Governance Code passed in the year 2002 without exception.

Two bodies collaborate in a German joint stock company: the executive board and the supervisory board.

The Executive Board manages the company on its own responsibility and represents the LUDWIG BECK AG when conducting business with third parties. Its actions and decisions are oriented towards the interests of the company. The Executive Board is committed to the goal of sustained enhancement of enterprise value. The Executive Board and Supervisory Board traditionally work together closely for the welfare of the company. The Executive Board informs the Supervisory Board regularly, comprehensively and promptly on all relevant questions regarding company planning, future strategic developments, the current business performance and the situation of the group including risk situation. The Supervisory Board of LUDWIG BECK AG appoints the members of the Executive Board and advises and monitors the Executive Board in its management activities. The Supervisory Board comprises six members.

We comply with the recommendations of the German Corporate Governance Code in the version of June 2006 without exception.

The joint 2006 declaration of conformity of the Executive Board and Supervisory Board as well as other information can be found on our internet page in the "Corporate Governance" section under "General Conditions". The Supervisory Board is informed at least once per year on the adherence to principles. The work of the Executive Board and Supervisory focuses on good Corporate Governance in the current business year. We will continue to adhere to all standards of the German Corporate Governance Code and implement them accordingly. In the current business year, the Executive Board and Supervisory Board will also work together closely and trustfully and conduct all major business transactions together.

Declaration of conformity

"The Executive Board and Supervisory Board 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 12, 2006, which was made public by the German Ministry of Justice in the official part of the electronic German Federal Gazette. The LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG has conformed to the recommendations of the Code as amended on June 2, 2005 since the release of the last declaration of conformity on November 24, 2005."

Munich, November 16, 2006

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

Business and general conditions

Economic situation

Global economy stabilized on a high level

The global economy continued its uptrend of previous years. Only in the second half of the year the economic upswing stagnated slightly – due to a slowdown in the USA. The worldwide growth rate of approximately 3.8 %, as recorded by the United Nations, almost reached the record figures of the boom year 2005, i.e. 4.0 %.

The stable development was owed to moderate crude oil prices, an improved financial standing of the threshold countries, the Japanese economy's gaining strength in general and partly also to the expanding economies of China and India which showed higher expansion rates (10 % and 8 %) than the former growth driver USA (3.4 %). Last but not least the recovering economies of Europe were able to make up for America's waning drawing power.

Europe on the upswing

The Euro zone has gathered momentum. Growing internal demand, exports on the rise and declining unemployment figures were the main contributors to a solid economic upswing. According to DIW, the GDP grew by 2.6 % and the gross domestic products of the EU27 (27 EU countries) went up 2.9 % in comparison to the preceding year.

Germany's export boom

In 2006 the German economy showed a stronger expansion than in the last six years. The price-adjusted GDP increased by 2.5 % according to Germany's Federal Statistical Office. This was largely due to Germany's export economy, which scored its second highest growth rate since the reunification with 12.4 %. Thorough restructuring of export companies, lower unit labor costs, innovative products and moderate wage and salary increases paved the way for success. Germany became the world's leading export nation for the fourth time in a row and took over the role of Europe's economic engine, able to unfold its strength even in the face of a stagnating US economy.

The earnings generated through export activities stimulated the expansion of the domestic economy. Corporate investments in machinery and equipment rose by 7.3 %. Private consumer spending grew as well. After a long period of dullness, consumers spent 0.6 % more money than in the preceding year.

Distinct recovery of the labor market was another outcome of the robust growth trend. According to preliminary calculations of the International Labour Organization (ILO), the number of unemployed persons dropped to 464,000.

With a national deficit of 2.0 %, the limit set by the Maastricht Treaty could be observed for the first time since 2001.

Retail trade

Decline stopped

Even though the big trend reversal is not yet in sight, the textile retail trade could close out the year with a plus after 15 years in deficit. According to the trade journal "TextilWirtschaft", the 2006 proceeds scored an average plus of 1 %. The generally favorable consumption climate was overshadowed by unexpected weather conditions in almost every season of the year. An exceptionally warm autumn period and mild winter had a negative influence on the textile trade. The time of the Fifa Soccer World Championship also turned out to be adversely affecting sales. Generally, the impact on textile and department stores was stronger than on fashion houses and branch store businesses.

LUDWIG BECK still on the path to success

LUDWIG BECK continued its positive business development in the lapsed fiscal year. Despite of unfavorable weather conditions and some losses during the Soccer World Championship and other major events in the center of Munich, sales and earnings could be increased. The positive result is due to the consistent further implementation of the company's strategy in 2006, which rests on a continuous upgrade of the product range at the flagship store as well as an optimization of the branch store business.

Group structure

In addition to LUDWIG BECK AG, the LUDWIG BECK consolidated financial statements includes the 100 % subsidiary LUDWIG BECK Beteiligungs GmbH.

LUDWIG BECK AG operates the traditional business with its flagship store at Marienplatz, the LUDWIG BECK multi-label stores, the LUDWIG BECK mono-label stores in Munich and Regensburg as well as the LUDWIG BECK fashion warehouse outlet in Parsdorf. The company consisted of a total of five stores, three mono-label stores and a fashion outlet at the end of the fiscal year. While the number of LUDWIG BECK multi-label stores has remained constant in comparison to the previous year, the number of mono-label stores was reduced by one branch after the sale of Vero Moda in Regensburg. LUDWIG BECK Vertriebs GmbH, which bundled the franchise activities of the company, was merged with LUDWIG BECK AG in 2006.

LUDWIG BECK Beteiligungs GmbH owns a holding of 50.1 % in Feldmeier GmbH & Co. Betriebs KG and 50.2 % in its fully liable 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 focus of activities lies on the flagship store at Munich's Marienplatz. The product range primarily comprises the textile trade but also includes non-textile products such as cosmetics and sound-carriers.

Group strategy

Since the foundation of the flagship store in 1861 by the button maker and dress trimmer Ludwig Beck, the company name has been associated with values such as quality and creativity, tradition and modernity, experience-orientation and sensuality. Thanks to the one-of-a-kind location at the center of Munich and an increasingly sophisticated target group marketing strategy, LUDWIG BECK has become one of the most popular retail companies in Germany. The company's success relies on two clearly defined pillars:

The flagship store at Munich's Marienplatz

Our flagship store in the heart of Munich generates more than 80 % of overall sales and continues to be the central pillar. Our customers honor the perfect combination of department store and specialist retailer at our "Store of the Senses". The spacious area allows us to convince customers with a large product range and high-quality expertise and personal advice. We have been pursuing the strategy of "trading up" for the last four years and continuously supplemented our product range by offering new, high-valued brands. Through the wide range of sensual experiences, an exclusive brand portfolio, excellent quality and innovative store events with special themes, shopping at our flagship store becomes a special experience for customers.

The branch stores

The branch store concept – our second pillar – complements our strategy. It consists of three arms: LUDWIG BECK multi-label stores, LUDWIG BECK mono-label stores and the LUDWIG BECK fashion warehouse outlet. They generate additional sales potential in the suburban areas of Munich, Augsburg, Landshut and Regensburg. Contrary to our flagship store, the brands presented in these stores focus on the medium fashion level thus attracting price-conscious customers. The multi-label stores as well as our fashion outlet profit from the good image, for which the name LUDWIG BECK stands.

Internal control system

We rely on enterprise resource planning analyses as a system of control on a daily basis. The analyses are broken down with an article number system. This provides all the necessary information for controlling inventories, product ranges and the arrangement of sales floors in an efficient manner.

Personnel

On a yearly average, the LUDWIG BECK Group employed 543 workers in 2006. This equals an increase of 0.4 % in comparison to the previous year (540 workers). The number of interns dropped slightly from 57 in the preceding year to 53, but remained on a high level nevertheless. The company will endeavor to recruit highly qualified staff from its own ranks also in the future.

The number of weighted employees sunk to 389 on average in the year 2006 (previous year: 401).

Personnel expenses slightly reduced

Personnel expenses dropped to € 17.4m in the fiscal year 2006 (previous year: € 17.5m). The share of personnel expenses in net sales remained at 20.0 %, like in the previous year.

Our employees –
the heart of our enterprise

Outstanding consulting and service skills are needed to reach customers on an emotional as well as a rational level with the typical LUDWIG BECK approach and entice them to come back. In addition to the vocational school, we therefore offer our interns in our qualified training program an intensive support system in their practical everyday life. Specially trained mentors are available to them who offer high quality support and individual help.

In 2006 the close bond between our staff and the LUDWIG BECK company showed on many occasions. We again celebrated many extraordinary long-standing staff memberships with the company in the scope of a large festival. Two employees celebrated their 40-year anniversaries, four employees their 35-year anniversaries and five employees celebrated 30 years with the company.

At this point we wish to thank them for their tireless efforts and loyalty to the company. We also would like to thank all remaining employees of LUDWIG BECK AG for their dedication and loyalty to the company. We would also like to extend our thanks to our workers' councils, who through their mediation between management and staff contributed to the good working atmosphere at LUDWIG BECK.

Marketing

More than just a department store

Our flagship store – the "Store of the Senses" – is more than just one of the best places to shop for fashion, leather goods or cosmetics products. It is the manifestation of our philosophy of creating a special atmosphere for experiences – each presented product range is surrounded by a world of sensual experiences. Our store events contribute to this with experience markets, fashion presentations, readings, musical performances and exhibitions all year round.

Exotic, fine-sounding, HAUTNAH –
the LUDWIG BECK events

Our store events were led off by "Enchanting India", with its exotic allure in almost all product ranges. On May 1, the company's anniversary was celebrated with a traditional "Concert of the Senses". Renowned piano players performed in the Allerheiligen Hofkirche – the proceeds were donated to the Peter Maffays Tabaluga Foundation. The HAUTNAH "Feel Good Week" in October was also a great success. During the Christmas season the "Christmas House" opened its doors as every year – one of the city's greatest Advent attractions for many residents of Munich and surrounding areas.

LUDWIG BECK –
always the focus of media attention

Parallel to our event weeks we launched broad and well received advertising campaigns with eye-catching posters and ads. Our active public relations contributed considerably to the success of our events. Being a Munich institution, it is very important for LUDWIG BECK to collaborate closely and constructively with the media. Through up-to-date press releases, background conversations and an open, lively dialogue we were able to position our company in all major publications. Our efficiently utilized PR and marketing budget together with an offensive communication strategy led to an increased awareness among all relevant target groups. Last but not least, our new internet presentation with increased informative value rounds off the positive image of our company.

Earnings situation

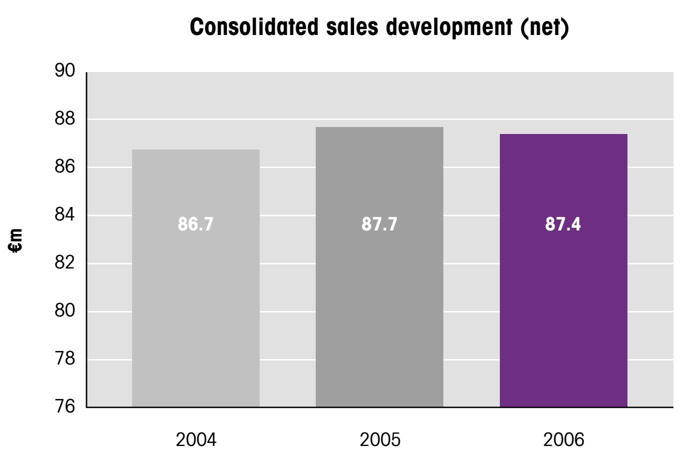
Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–December 31, 2006, acc. to IASB

	2006			2005		
	€k	**€k**	**%**	**€k**	**€k**	**%**
Sales revenues						
sales (gross)	101,347			101,671		
minus sales tax	13,965	87,382	100.0	14,003	87,668	100.0
Own work capitalized		127	0.1		23	0.0
Other operating income		2,952	3.4		2,634	3.0
		90,461			90,325	
Cost of materials	46,074		52.7	46,716		53.3
Personnel expenses	17,434		20.0	17,461		19.9
Depreciation	3,415		3.9	3,791		4.3
Other operating expenses	16,772	83,694	19.2	16,502	84,470	18.8
EBIT		**6,767**	**7.7**		**5,855**	**6.7**
Financial result		-3,705	-4.2		-4,035	-4.6
EBT		**3,062**	**3.5**		**1,820**	**2.1**
Taxes		1,127	1.3		587	0.7
Consolidated net income before minority interests		1,935	2.2		1,233	1.4
Minority interests		537	0.6		568	0.6
Consolidated net income after minority interests		**1,398**	**1.6**		**665**	**0.8**
Earnings per share (undiluted and diluted) in €		0.42			0.20	
Average number of outstanding shares in thousands (undiluted and diluted)		3,360			3,360	

Sales development

In 2006, LUDWIG BECK AG continued the positive development of the lapsed fiscal year. Despite of recurring difficult situations within the sector, LUDWIG BECK managed to keep gross sales on last year's level. At the relevant date, gross sales amounted to € 101.3m (previous year: € 101.7m). The net sales revenues amounted to € 87.4m (previous year: € 87.7m).

Sales on a like-for-like basis rose by 1.8 % in total. This equals a turnover of € 101.3 m (previous year: € 99.6m).



Once again, these figures confirm LUDWIG BECK's growth forecasts as announced at the beginning of the year.

Our flagship store at Munich's Marienplatz was the growth driver, which dominated the sales development with gross sales in the overall amount of € 82.6m. The sales share generated by the flagship store was at times more than 80 % and remained on last year's level. The sales split explains the strong concentration of business activities on our popular department store at Munich's Marienplatz. The sales generated by the LUDWIG BECK branch stores went up by 0.8 % in comparison to the year 2005. The mono-label stores scored a plus of 8.7 % on a like-for-like basis.

A substantial reason for the pleasing sales development 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 successful product range change in 2006 was the LUDWIG BECK Men's Department. This has been redecorated in the lapsed fiscal year and showed a significant sales plus in comparison to the previous year thanks to eye-catching modernizations. The Leather Goods & Accessories Department was successfully expanded and upgraded according to the principle of the "trading up" strategy.

Earnings situation

The Group's gross profit showed a positive development in the lapsed fiscal year. It rose by 0.9 % to € 41.3m (previous year: € 41.0m). The gross profit margin was thus 47.3 %, an improvement of 0.6 percentage points in comparison to the previous year (46.7 %).

The cost of materials ratio was 52.7 % and dropped by 0.6 percentage points (previous year: 53.3 %). Total costs of materials amounted to € 46.1m in the year 2006 (previous year: € 46.7m).

Other operating income, composed of rent and allocated rent receipts, income from administration, sales and personnel activities as well as canteen revenues, rose by € 0.4m and amounted to € 3.0m at the end of the fiscal year (previous year: € 2.6m).

Operating expenses were reduced overall by € 0.2m, i.e. 0.3 % from € 37.8m to € 37.6m in comparison to the preceding year. Personnel expenses did not change in comparison to the previous year, the share of personnel expenses in net sales amounted to 20.0 %.

The cost ratio (expenses against corresponding income) improved overall by 0.5 percentage points and with 39.5 % was clearly below the previous year (40.0 %).

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved significantly to € 10.2m (previous year: € 9.6m). The EBITDA margin based on net sales reached 11.7 % in the lapsed fiscal year (11.0 %).

Operative earning (EBIT) also rose over-proportionately and reached € 6.8m after € 5.9m in the previous year. This corresponds to an increase of 15.6 %.

The financial result amounted to € -3.7m (previous year: € -4.0m). Based on net sales, this equals a ratio of 4.2 % (previous year: 4.6 %).

Profit before taxes amounted to € 3.1m (previous year: € 1.8m) and rose significantly by 68.2 %.

In the fiscal year 2006, total tax expenses amounted to € 1.1m (previous year: € 0.6m). Of this, € 0.9m (previous year: € 0.5m) apply to deferred taxes. The tax carry-forward for corporate tax amounted to € 14.9m, for trade tax to € 8.7m as of December 31, 2006.

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 € 45.4m. Of this, € 11.0m can be classified as short-term and € 34.4m as medium or long-term.

The credit lines for the 2007 fiscal year are secured in the area of short-term financing. In January/February the credit banks have made commitments regarding short-term credit lines until further notice. Overall financing is therewith secured for the 2007 fiscal year. The short-term credit line in the amount of € 20.0m was utilized at a rate of 50.1 %, plus bank guarantees in the amount of € 2.9m.

The accounting of trade liabilities is made in the amount repayable. Due to short terms of payment 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 cash discount deduction, whereas the time for allowed payment usually comprises 60 days.

Cash flow

The cash flow from operating activities sank to € 5.8m (previous year: € 7.2m) in the fiscal year. In the previous year inventory reductions had a one time positive effect on the cash flow from operating activities with € 0.9m. The cash flow used in investing activities amounted to € -2.5m (previous year: € -0.9m) in the lapsed fiscal year.

Investments into fixed assets amounted to € 2.7m (previous year: € 1.8m) in total. In the 2006 fiscal year receipts from sales of fixed asset items in the amount of € 0.2m (previous year: € 0.8m) were generated.

The positive operating performance enabled us to make a repayment of bank liabilities in the amount of € 1.9m. Furthermore, € 0.3m was applied to the 2005 dividend payments. The cash flow from financing activities amounted to € -3.1m (previous year: € -6.3m) in total.

Investment and finance

Capital expenditures in the LUDWIG BECK AG amounted to € 2.7m in the 2006 fiscal year. This corresponds to a € 0.9m absolute growth in comparison to the previous year.

The capital expenditures primarily apply to the redecoration of the ground floor and the basement floor of our flagship store at Munich's Marienplatz.

Development of key liquidity figures as of Dezember 1		2006	2005
		%	%
Cash ratio	$\frac{\text{Cash and cash equivalents}}{\text{Short-term liabilities}}$	4	3
Quick ratio	$\frac{\text{Monetary current assets}}{\text{Short-term liabilities}}$	14	11
Current ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	68	60

The monetary current assets are composed of accounts receivable, other assets and liquid funds.

Asset situation

Balance sheet structure

The balance sheet total of the LUDWIG BECK Group had dropped by 1.5 % to € 106.5m (previous year: € 108.1m) as of the balance sheet date, December 31, 2006.

The lower balance sheet total is primarily due to a reduction of long-term asset by € 1.9m to € 94.8m (previous year: € 96.7m). This is the result of a diminution of fixed assets and payment of active deferred taxes based on positive earnings.

Short-term assets slightly went up in comparison to the previous year and amount to € 11.7m (previous year: € 11. 4m), which is equivalent to a 3.0 % growth. The asset side of the LUDWIG BECK balance sheet is dominated by fixed assets including the main store at Marienplatz. These account for € 87.8m (previous year: € 88.9m), i.e. 82.4 % (previous year: 82.2 %) of the balance sheet total. At the balance sheet date the company had liquid funds in the amount of € 0.8m (previous year: € 0.5m).

Balance sheet structure as of December 31	**2006**		**2005**	
	€m	**%**	**€m**	**%**
Long-term assets	94.8	89.0	96.7	89.4
Short-term assets	11.7	11.0	11.4	10.6
Total assets	**106.5**	**100.0**	**108.1**	**100.0**
Shareholders' equity	33.8	31.8	32.8	30.3
Long-term liabilities	55.3	52.0	56.2	51.9
Short-term liabilities	17.4	16.2	19.1	17.7
Total liabilities	**106.5**	**100.0**	**108.1**	**100.0**

In terms of the liabilities side, shareholders' equity increased to € 33.8m (previous year: € 32.8m) due to the positive net income. The equity ratio therewith increased to 31.8 % (previous year: 30.3 %). The positive business development allowed us to significantly reduce the short-term liabilities in comparison to the previous year. These dropped by 9.4 % to € 17.4m (previous year: € 19.1m). Long-term liabilities amounting to € 56.2m in the previous year could also be reduced by € 0.9m to € 55.3m.

Key balance sheet figures as of December 31		2006	2005
		%	%
Equity ratio	Shareholder's equity / Balance sheet total	31.8	30.3
Structure of debt	Short-term liabilities / Liabilities	23.8	25.4

Supplementary report

At the 2006/2007 turn of the year there was a change to the Executive Board. Mr. Reiner Unkel left the company at his own request on December 31, 2006.

Mr. Oliver Haller has been appointed by the Supervisory Board as a new member of the Executive Board, responsible for Purchasing, Sales and Marketing, as of January 1, 2007.

Information according to Sec. 315 par 4 HGB (commercial code)

Composition of the subscribed capital

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

Direct and indirect capital holdings exceeding 10 % of voting rights

The following persons and companies are directly or indirectly holding more than 10 % of the voting rights of Ludwig Beck AG:

- INTRO – Verwaltungs GmbH (Reichenschwand) 29.91 %
- Rudolf Wöhrl AG (Nuremberg) 29.91 %
- Mr. Hans Rudolf Wöhrl (Nuremberg) 29.91 %
- ATON GmbH (Fulda) 17.157 %
- Dr. Lutz Helmig (Fulda) 17.157 %

Legal provisions and terms of the Articles of Association concerning the appointment and removal of members of the Executive Board as well as amendments to the Articles of Association

According to the Articles of Association and the relevant legal provisions the members of the Executive Board are appointed or removed by the Supervisory Board. The Supervisory Board also determines the number of members. The Executive Board is composed of a minimum of two persons.

The Articles of Association may only be amended by resolution of the general meeting (§ 170 par 1, Joint Stock Corporation Act (AktG)). The resolution of the general meeting requires a majority of at least three quarters of the share capital represented at the general meeting passing the resolution (§ 170 par 2, Joint Stock Corporation Act (AktG)).

Risk report

In the course of business on its specified sales markets, the LUDWIG BECK AG is exposed to a wide variety of risks involved in any business operation. These may affect the company's asset, financial and earnings situation.

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 risk

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 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 allow us to benefit from niches in the specialist store segment.

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

LUDWIG BECK publishes quarterly reports on the Group's key figures which show the seasonal fluctuations. In particular, the Group generates a high proportion of sales and earnings during the Christmas season in the fourth quarter. Some 33 % of sales are generated during this period

As goods are purchased much earlier than the seasonal peak sales periods, this causes outflows of cash in 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's open and up-to-date information policy and equal treatment of all lenders is the basis for trust which creditors have in the company and thus for their willingness to provide credit lines. The company's own equity position, its current cash flows and the available bank loans form the basis for the company's long-term financing. 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 the company's knowledge the company is not currently facing, nor expecting, legal proceedings or arbitration which might have an impact on LUDWIG BECK's economic situation. As a result, no impact on business development is expected. In case of legal questions, the company always seeks the help of external legal advisers.

The company has sufficient insurance cover for risks from damages and liability claims.

Within our present state of knowledge we do not expect any risks concerning the assets or earnings situation of the company from the corporate tax reform planned by the German Federal Government.

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 ensures that the company'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.

Our human resources activities focus on providing effective training and advanced 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 standards of our employees.

No additional risks were incurred due to the change to the Executive Board.

Weather risks

The worldwide climatic change has definitely become a risk factor for retail trade companies. Summers are too cool, winters too mild. There is too much snow or not enough. A rainy summer has a negative impact on the swim fashion collection, a mild winter curbs the demand for winter wear such as coats, gloves or caps.

Furthermore, the number of visitors is generally very closely related to the weather situation. Under extreme meteorological conditions experience-oriented department stores like LUDWIG BECK are clearly less frequented since people only shop for daily necessities such as food or household items.

Overall risk

With regard to the fiscal year 2007, 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.

Remuneration report

Remuneration of the Executive Board

The total remuneration of the members of the Executive Board consists of several remuneration components, i.e. a fixed remuneration, a bonus, fringe benefits and a pension promise.

Upon proposal of the personnel committee, the structure of the remuneration system for the Executive Board is discussed and reviewed by the Supervisory Board on a regular basis. The personnel committee is the responsible body for fixing the remuneration of the Executive Board; it decides on the adequacy of the remuneration.

The criteria for adequacy of the remuneration are in particular geared towards the duties of the respective member of the Executive Board, his/her personal performance as well as the economic situation, the success and the future prospects of the company taking into account a comparable environment.

Individual remuneration components: The remuneration of the members of the Executive Board is composed of success-independent components and a success-dependent component. The success-independent components include a fixed remuneration, fringe benefits and a pension promise, while the success-dependent component is a bonus.

The fixed remuneration is paid in the form of a monthly stipend as a performance-independent base remuneration. In addition, the members of the Executive board receive fringe benefits in the form of non-cash remuneration, primarily consisting of insurance premiums for the D&O insurance policy and the right to use a company car. Each member of the Executive Board has to pay tax on the use of the company car being a component of remuneration. All members of the Executive Board are entitled to it on an equal footing; the extent varies according to the personal situation. Loans or advance payments were not extended to any of the members of the Executive Board.

The success-dependent remuneration component is a bonus. The bonus amount is determined by the development of the Group's sales success. Furthermore, the Supervisory Board can grant a special bonus to reward special accomplishments.

The total remuneration of the members of the Executive Board amounted to € 922k in the 2006 fiscal year (see Appendix G. Other expenses). Individual details are shown in the following chart:

Remuneration of the Executive Board in 2006	**Annual remuneration**			**Total**	**Pension**
	Fixed	**Value of fringe benefits**	**Bonus**		**Annual value upon initial date of pension payments (as of Dec 31, 2006)**
	€k	**€k**	**€k**	**€k**	**€k**
Reiner Unkel	333	18	179	530	34
Dieter Münch	223	15	154	392	53
Total	**556**	**33**	**333**	**922**	**87**

The chart shows pension payments to the members of the Executive Board. Benefit payments commence upon attainment of age 63 or in case of a permanent inability to work. Mr. Münch's pension is determined by the length of service as a member of the Executive Board of Ludwig Beck AG. Pension payments will be increased by € 4k each year until attainment of age 63.

Mr. Unkel withdrew from his position as member of the Executive Board as of December 31, 2006. As a result of his work with the company until December 31, 2006, Mr. Unkel is entitled to annual pension payments in the amount of € 59k (as of attainment of age 63). Of this pension promise the amount of € 25k, determined in compliance with actuary calculation procedures, was paid in the form of a single payment of € 243k on December 31, 2006.

Current pension payments are adjusted annually in accordance with the consumer price index.

The pension claims of the members of the Executive Board are shown in the balance sheet pursuant to IFRS and the applicable provisions of the IAS 19 and are based on actuarial calculation procedures.

No member of the Executive Board has been promised additional benefits for the case of withdrawal from his/her position as member of the Executive Board. No member of the Executive Board has received benefits or has been promised benefits from third parties with regard to his/her services as a member of the Executive Board.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was determined by the AGM and is subject to § 12a of the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board and the economic success of the LUDWIG BECK Group. The remuneration of the Supervisory Board consists of a fixed component and a variable component.

In addition to a refund of their expenses, the members of the Supervisory Board receive a remuneration composed of the following elements: a fixed remuneration in the amount of € 10k and a bonus of € 1k for each dividend share as resolved by the AGM in the amount of € 0.10 per no value share, distributed to the shareholders in addition to the € 0.25 per share for the lapsed fiscal year. Furthermore, the company pays premiums in the amount of € 3k for each member of the Supervisory Board on a Directors & Officers (D&O) insurance policy as part of the fixed remuneration component.

Remuneration of the Supervisory Board	fixed	variable	D&O	total
	€k	€k	€k	€k
Dr. Joachim Hausser	23	0	3	26
Dr. Eva Annett Grigoleit	17	0	3	20
Günter Bergmann	11	0	3	14
Gabriele Keitel	10	0	3	13
Eva-Maria Stähle	10	0	3	13
Steven Wilkinson	12	0	3	15
Total	83	0	18	101

The Chairman of the Board receives double the amounts of the fixed remuneration and the bonus, his representative one and a half times the amounts.

Chairmanship of and membership in the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. Members of the Supervisory Board, who belong to the Supervisory Board for less than a full year, are remunerated on a pro rata basis.

LUDWIG BECK AG enlisted the consulting services of CMS Hasche Sigle, Lawyers and Tax Consultants for € 225k. Dr. Eva Annett Grigoleit is working with this law firm.

Buchanan Corporate Relations GmbH provided consulting services for € 115k. Mr.Steven Wilkinson is working with this company.

Subordinate status report

Since no controlling agreement was concluded with the major shareholder, the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG was obligated to prepare a report on its relationship to associated enterprises within the meaning of § 312 par 3, Joint Stock Corporation Act (AktG). The subordinate status report contains the following conclusive statement: "No transactions or measures subject to reporting requirements within the meaning of section 312 of AktG were carried out or omitted in fiscal year 2006."

Forecast report

Soft landing for the global economy

Due to moderate oil prices and other factors, the global economy showed above-average expansion. For the coming year economic experts expect only a slight decline mainly due the restrained growth development in the USA. With a growth rate of 4.5 % the economic forecast of the F.A.Z. Institute almost reached the average rates of the booming 2003 – 2006 years. Economic research institutes anticipate a growth rate of more that 2 % for the Euro zone which comes close to last year's rate.

The prospects for Germany are even better. Almost all renowned economic research institutes increased their growth forecasts. According to the German Institute for Economic Research (DIW), the GDP will go up 1.7 %, despite of the adverse initial conditions due to the VAT increase, a restrictive fiscal policy, the upvaluation of the Euro and the slightly restrained growth of the global economy. The moderate development of real wages since the beginning of the decade contributed considerably to this trend. The Munich Ifo Institute and the North Rhine-Westphalia – based Institute for Economic Research (RWI) even anticipate a growth of 1.5 %.

According to the findings of the Research Company of Consumer Trends (GfK), consumers are getting caught by this optimism: Even though the VAT increase had the expected negative impact on consumer behavior in the first months of the year 2007, this will probably only be temporary.

According to GfK, income expectancy is still optimistic and the consumers' confidence in a sustained economic growth stabilized even in the face of financial burdens at the beginning of the year. Thus the consumers' positive expectancy corresponds to the opinion of financial analysts (ZEW).

The ongoing global economic dynamics will probably stimulate the continued growth of the German export economy in the fiscal year 2007; increasing domestic investments are expected to have a positive effect on the labor market situation.

Indications of continued growth

Against this background LUDWIG BECK relies on a successful continuation of the growth trend for the current fiscal year 2007.

Our "trading up" strategy remains the central pillar of our success and we will continue to upgrade our range of products and focus on the growth of our flagship store at Marienplatz. Our unique departments such as the HAUTNAH cosmetics department or our Leather Goods & Accessories department will continue to guarantee our growth with their outstanding, exclusive brands offer which is unparalleled in Germany. The depth of our product range together with high-quality consulting will also be a cornerstone of our anticipated success. In addition thereto, our cost management will contribute to our earnings.

LUDWIG BECK expects the results of ordinary business activities to slightly exceed the earnings figures of 2006, despite of the VAT increase in 2007. For 2008 we anticipate higher profitability because the effects of the VAT increase will have been integrated into price formation by then.

Thanks to our highly qualified employees whose daily commitment contributes to the strengthening of our Group, LUDWIG BECK will continue to be the shopping paradise in the center of Munich also in 2007 and drive the Group towards further profitability.

For the year 2008 we anticipate the further organic growth of our Group – at least from the point of view of our company. Our "trading up" strategy has led LUDWIG BECK to success in the past years and will guarantee our positive development also in the future. Our values, our employees, our unique range of products and our enthusiasm for our work are our keys to success.

Munich, in February 2007

The Executive Board

Consolidated balance sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, on December 31, 2006, acc. to IASB

Assets		Dec. 31, 2006	Dec. 31, 2005
	Appendix	€k	€k
A. Long-term assets			
I. Intangible assets	(1)	2,792	2,825
II. Property, plant and equipment	(1)	87,806	88,868
III. Deferred taxes	(2)	3,993	4,895
IV. Other assets	(3)	182	152
		94,772	**96,741**
B. Short-term assets			
I. Inventories	(4)	9,236	9,320
II. Receivables and other assets	(5)	1,739	1,519
III. Cash and cash equivals	(6)	759	548
		11,734	**11,387**
		106,506	**108,127**

Shareholders' equity and liabilities		Dec. 31, 2006	Dec. 31, 2005
	Appendix	€k	€k
A. Shareholders' equity			
I. Subscribed capital	(7)	8,590	8,590
II. Reserves	(7)	8,864	8,278
III. Net income	(7)	927	451
IV. Supplementary item from minority interests	(7)	15,436	15,471
		33,817	**32,790**
B. Potential compensation claim by minority shareholders	(8)	8,859	8,939
C. Long-term liabilities			
I. Liabilities to banks	(10)	34,444	35,076
II. Accruals	(9)	1,005	1,152
III. Other liabilities	(10)	6,527	6,571
IV. Deferred tax liabilities	(11)	4,467	4,504
		46,442	**47,303**
D. Short-term liabilities			
I. Liabilities to banks	(10)	10,959	12,249
II. Trade liabilities	(10)	1,823	2,116
III. Accruals	(9)	0	17
IV. Tax liabilities	(10)	332	71
V. Other liabilities	(10)	4,274	4,642
		17,388	**19,095**
		106,506	**108,127**

Consolidated income statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–December 31, 2006, acc. to IASB

		Jan. 1. – Dec. 31, 2006		Jan. 1. – Dec. 31, 2005	
	Appendix	**€k**	**€k**	**€k**	**€k**
1. Sales revenues	(12)				
- sales (gross)		101,347		101,671	
- minus sales tax		13,965	87,382	14,003	87,668
2. Own work capitalized	(13)		127		23
3. Other operating income	(14)		2,952		2,634
			90,461		**90,325**
4. Cost of materials	(15)	46,074		46,716	
5. Personnel expenses	(16)	17,434		17,461	
6. Depreciation	(17)	3,415		3,791	
7. Other operating expenses	(18)	16,772	83,694	16,502	84,470
8. EBIT			**6,767**		**5,855**
9. Financial result of which financing expenses: € 3,711k (previous year: € 4,041k)	(19)		**-3,705**		**-4,035**
10. EBT			**3,062**		**1,820**
11. Taxes	(20)		1,127		587
12. Consolidated net income before minority interests			**1,935**		**1,233**
13. Minority interests	(21)		537		568
14. Consolidated income after minority interests			**1,398**		**665**
15. Accumulated income			451		0
16. Dividend payment			-336		0
17. Transfers to/from reserves	(22)		-586		-214
18. Unappropriated consolidated net income			**927**		**451**
Earnings per share (undiluted and diluted) in €	(23)		0.42		0.20
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, 2005

	Subscribed capital	Capital reserves	Accum-ulated earnings	Supplemen-tary 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
Adjustments IAS 8	0	0	-137	0	-137
Balance as of Jan. 1, 2005 adjusted	8,590	7	8,058	15,530	32,184
Consolidated net loss after minority interests	0	0	665	0	665
Change in supplementary item	0	0	0	-59	-59
Balance as of Dec. 31, 2005	**8,590**	**7**	**8,723**	**15,471**	**32,790**

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–December 31, 2006

	Subscribed capital	Capital reserves	Accum-ulated earnings	Supplemen-tary item from minority interests	Total
	€k	€k	€k	€k	€k
Balance as of Jan. 1, 2006	8,590	7	8,723	15,471	32,790
Consolidated net loss after minority interests	0	0	1,398	0	1,398
Dividend payment	0	0	-336	0	-336
Change in supplementary item	0	0	0	-35	-35
Balance as of Dec. 31, 2006	**8,590**	**7**	**9,784**	**15,436**	**33,817**

Consolidated cash flow statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–December 31, 2006, acc. to IASB

	Jan. 1, 2006 –Dec. 31, 2006	Jan. 1, 2005 –Dec. 31, 2005
	€k	€k
Group net income before minority interest and taxes	3,062	1,820
Adjustments for:		
Depreciation of fixed assets	3,415	3,791
Increase/decrease (+/-) in long-term accrurals	-22	62
Other non-cash expenditure/income (+/-)	-257	-23
Financial income	-6	-6
Interest expenses	3,711	4,041
Operating result before changes to working capital	**9,903**	**9,685**
Non-cash loss/profit (+/-) from disposal of fixed assets	134	19
Increase/decrease (+/-) in short-term assets:		
Inventories	84	874
Trade receivables	-421	32
Other assets, prepaid expenses	172	69
Increase/decrease (+/-) in liabilities:		
Trade payables	-294	-177
Other liabilities	-247	674
Net cash from operating activities (before interest payments)	**9,331**	**11,176**

(to be continued ...)

	Jan. 1, 2006 –Dec. 31, 2006	Jan. 1, 2005 –Dec. 31, 2005
	€k	**€k**
Net cash from operating activities (before interest payments)	**9,331**	**11,176**
Interest paid	-3,510	-3,988
Interest received	6	6
Net cash from operating activities	**5,827**	**7,194**
Proceeds from disposal of fixed assets	168	821
Disbursements for additions to fixed assets	-2,498	-1,586
Disbursements for additions to plan assets	-181	-177
Net cash used in investing activities	**-2,511**	**-942**
Disbursements to minority interests	-652	-620
Dividend payment	-336	0
Acceptance of bank liabilities	1,900	0
Acceptance of interest-bearing loans	350	1,528
Repayment of bank liabilities	-3,829	-6,275
Repayment of finance leases	-538	-927
Net cash from financing activities	**-3,105**	**-6,294**
Change in cash and cash equivals	211	-42
Cash and cash equivalents at beginning of fiscal year	548	590
Cash equivals at the end of fiscal year	**759**	**548**

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. The registered seat of the LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

LUDWIG BECK AG is listed in the Commercial Register of the local court of Munich, Germany, under registration number HRB 100213.

The object of the LUDWIG BECK Group is the sale of all kinds of 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, 2006 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 of the mandatory aforementioned standards and interpretations were complied with in the fiscal year 2006. In line with Sec. 315 a, German Commercial Code, (HGB), additional data including the consolidated management report was added to the consolidated financial statements.

The consolidated balance sheet of LUDWIG BECK AG was drawn up as of the balance sheet dates December 31, 2006 and December 31, 2005. The relevant income statement, consolidated equity statement, consolidated cash flow statement and the notes to the consolidated financial statements cover the periods from January 1, 2006 to December 31, 2006 and from January 1, 2005 to December 31, 2005. The balance sheet dates of the consolidated companies are identical.

All amounts in the consolidated financial statements are stated in €k (thousand Euro).

Until the previous year, the layout of items in the consolidated balance sheet was in line with the "Structured quarterly reports" scheme of the German stock exchange. As of this fiscal year, the presentation complies with IAS 1 "Presentation of financial statements", i.e. follows the order of maturity of the assets. The amounts stated for the previous year were adjusted to the new layout. The consolidated financial statements complying with the relevant International Financial Reporting Standards (IFRS) in all aspects give an accurate picture of the actual asset, finance and earnings situation of the LUDWIG BECK Group.

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.

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. The financial statements shall be released for publication on March 12, 2007. The release shall be effected by the Executive Board.

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 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. In accordance with the merger agreement dated August 22, 2006, entered in the commercial register on August 28, 2006, LUDWIG BECK Vertriebs GmbH was validly merged with LUDWIG BECK AG. The merger was carried out with backdated effect as of January 1, 2006. The merger has no influence on the presentation in the consolidated financial statements.

II. Consolidated balance sheet date

The consolidated balance sheet of LUDWIG BECK AG was prepared as at December 31, 2006. The consolidated income statement, the equity statement and the cash flow statement include the period from January 1, 2006 to December 31, 2006. 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.

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. First application of IFRS/IAS

The following already issued standards and ifric interpretations which may concern the LUDWIG BECK AG have not been applied by the group so far:

IFRS 7 "financial instruments disclosure"

IFRS 8 "operative segments"

IFRIC 10 "interim financial reporting and impairment"

The group assumes that these amendments will primarily require extended disclosure of data in the notes.

IFRIC 7 "applying the restatement approach" of IAS 29 „financial reporting in hyperinflationary economies"

IFRIC 8 "scope of IFRS 2"

IFRIC 9 "reassessment of embedded derivatives"

IFRIC 11 "group and treasury share transactions pursuant to IFRS 2"

IFRIC 12 "service concession arrangements"

The group assumes that the application of these announcements will not influence the consolidated financial statements in the period of their first application.

3. 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.

4. 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. 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, 2006, there was no indication of any impairment of the brand name.

5. 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 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.

6. 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.

7. Inventories

In accordance with IAS 2, 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 if necessary.

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.

8. 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.

9. Cash and cash equivalents

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

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

The actuarial assessment of pension accruals is based on the "projected unit credit method" as prescribed for old-age pension commitments in IAS 19. According to this method not only the pension benefits and accrued future pension benefits known at the balance sheet date but also expected increases of salaries and pensions are taken into account. Actuarial profits and losses are valued on the basis of the so-called corridor method pursuant to IAS 19.

11. Liabilities

Liabilities are always valued at their discharge or repayment values.

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

12. 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.

13. Cost of external capital

In accordance with the benchmark method of IAS 23, the cost of external capital was capitalized as expense for the period in which it occurred.

14. 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) Fixed assets

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

- Property, plant and equipment
- Intangible assets

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

Development of consolidated fixed assets

Aquisition / manufacturing costs	As of Jan. 01, 2006	Additions
	€k	€k
I. Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	**4,635**	**108**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third party land	100,679	1,055
2. Other fixtures and fittings, tools and equipment	15,740	1,351
3. Payments on account and assets under construction	19	111
	116,437	**2,517**
	121,072	**2,625**

Intangible assets

All intangible assets have been acquired.

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

	Dec. 31, 2006	Dec. 31, 2005
	€k	€k
Software	754	787
Brand name	2,038	2,038
	2,792	**2,825**

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, the annual scheduled amortization of this intangible asset ended as of January 1, 2004.

Disposals	Reclassifications	As of Dec. 31, 2006	Cumulative depreciation	Book value Dec. 31, 2006	Book value Dec. 31, 2005	Depreciation of fiscal year
€k	€k	€k	€k	€k	€k	€k
143	**0**	**4,600**	**1,808**	**2,792**	**2,825**	**141**
1,128	0	100,606	18,819	81,787	82,686	1,803
1,480	0	15,611	9,722	5,890	6,164	1,471
0	0	129	0	129	19	0
2,608	**0**	**116,346**	**28,540**	**87,806**	**88,868**	**3,274**
2,751	**0**	**120,946**	**30,348**	**90,598**	**91,693**	**3,415**

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.

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 (Dec. 31, 2006: € 2,899k). Hidden reserves amounting to € 66,661k were un-covered during revaluation. 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 2006 amounting to € 1.055k mainly concern improvements in LUDWIG BECK AG.

The property at Marienplatz is burdened with mortgages for bank liabilities in the amount of € 32,723k.

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 2006:

As of Jan. 1, 2006	€k	3,338
Depreciation 2006	€k	233
As of Dec. 31, 2006	€k	3,105

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 2006 amounting to € 1,351k only 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 Dec. 31, 2006:

Hop fittings	€k	799

The carrying values developed as follows in fiscal year 2006:

As of Jan. 1, 2006	€k	1,104
Additions 2006	€k	0
Disposals	€k	0
Depreciation 2006	€k	305
As of Dec. 31, 2006	€k	799

Payments on account and assets under construction increased by € 111k to € 129k compared to Dec. 31, 2005.

(2) Deferred taxes

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

	Dec. 31, 2006		Dec. 31, 2005	
	Asset	Liability	Asset	Liability
	€k	€k	€k	€k
Building	34		40	
Pension accrual	0		73	
Tenant loans	174		163	
Loss carried forward	5,092		5,852	
Leasing		79		44
Other accruals		27		29
Brand name		774		758
Non-interest-bearing liabilities		162		187
Land		4,578		4,578
Property, plant and equipment		152		138
Other		2		3
Total	5,300	5,774	6,128	5,737
Net balance of deferred taxes	-1,307	-1,307	-1,233	-1,233
Total stated in consolidated balance sheet	**3,993**	**4,467**	**4,895**	**4,504**

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.

The deferred taxes for buildings (€ 34k), other accruals (€ 27k), leasing (€ 79k), non-interest-bearing liabilities (€ 162k), tenant loans (€ 174k) and property, plant and equipment (€ 152k) 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 (€ 774k) 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.

(3) Other assets (long-term)

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Loans to employees	39	9
Rent prepayment	143	143
	182	**152**

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 %.

(4) Inventories

Inventories consist of the following items:

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Raw materials and supplies (at cost)	163	155
Merchandise (at cost)	9,955	10,068
Less impairment of merchandise	-882	-903
	9,236	**9,320**

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 Dec. 31, 2006: € 7,550k).

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.

Inventories in the amount of € 46,053k were carried as expense.

(5) Receivables and other assets

Receivables and other assets comprise the following:

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Trade receivables	1,266	845
Other assets	373	559
Prepaid expenses	99	115
Total	**1,739**	**1,519**

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, 2006	Dec. 31, 2005
	€k	**€k**
Total receivables	1,302	863
Less discounts	36	18
Trade receivables	**1,266**	**845**

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, 2006	Dec. 31, 2005
	€k	**€k**
Debit-side creditors	148	294
Loans to employees	20	9
Profit share of insurance policies	0	25
Bonus receivables from suppliers	18	51
Others	187	180
	373	**559**

Prepaid expenses

Prepaid expenses concern various expenses representing cost for a specific period after the consolidated balance sheet date and amount to € 99k (previous year: € 115k).

(6) 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, 2006	Dec. 31, 2005
	€k	**€k**
Cash in hand	691	497
Bank balances	68	51
Total	**759**	**548**

Bank balances receive interest of between 0.0 % and 0.5 % p.a. Cash-in-hand does not bear interest. There are no hedging activities.

(7) Shareholders' equity

With regard to changes in shareholders' equity in fiscal year 2006, 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 2006 all LUDWIG BECK shares were outstanding and fully paid.

Conditional capital

At the AGM on May 30, 2005, the share capital of the Company was raised conditionally by up to € 4,290,000.00 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, 2006. 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 € 4,290,000.00. Up to now no use has been made of this authorization.

Reserves

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Revenue reserves	8,857	8,271
Capital reserves	7	7
	8,864	**8,278**

Revenue reserves

Revenue reserves developed as follows:

Statutory reserves:

As of Jan. 1, 2006	€k	852
Change 2006	€k	0
As of Dec. 31, 2006	**€k**	**852**

Other revenue reserves:

As of Jan. 1, 2006	€k	7,419
Additions	€k	586
As of Dec. 31, 2006	**€k**	**8,005**

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

Balance sheet profit

As of Jan. 1, 2006	€k	451
Disposals	€k	-451
Additions	€k	927
As of Dec. 31, 2006	**€k**	**927**

Supplementary item from minority interests

As of Jan. 1, 2006	€k	15,471
Change 2006	€k	-35
As of Dec. 31, 2006	**€k**	**15,436**

The supplementary item from minority interests is the result of the details under (8). 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 Dec. 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)

Direct holdings:
Mr. Karl Schleicher (Ingolstadt) has given notification that, as of April 14, 2006, his voting rights of LUDWIG BECK AG moved below the 25 %, 10 % and 5 % thresholds. He is currently holding 0 % of the voting capital of LUDWIG BECK AG. This equals 0 votes.

Direct holdings:
INTRO – Verwaltungs GmbH (Reichenschwand) has given notification that, as of April 14, 2006, its voting rights of LUDWIG BECK AG have exceeded the 5 % threshold. It is currently holding 29.91 % of the voting capital of LUDWIG BECK AG. This equals 1,005,001 votes. 25 % (+ 1 share) of the voting rights are allocated to its 4.91 % of shares with voting rights attached, in line with Sec. 22 par 1, sent. 1, German Securities Trading Act (WpHG).

Direct holdings:
Rudolf Wöhrl AG (Nuremberg) has given notification that, as of April 14, 2006, its voting rights of LUDWIG BECK AG exceeded the 5 % threshold. It is currently holding 29.91 % of the voting capital of LUDWIG BECK AG. This equals 1,005,001 votes. 25 % (+ 1 share) of the voting rights are allocated to its 4.91 % of shares with voting rights attached in line with Sec. 22 par 1, sent. 1, German Securities Trading Act (WpHG).

Indirect holdings:
Mr. Hans Rudolf Wöhrl (Nuremberg) has given notification that, as of April 14, 2006 his voting rights of LUDWIG BECK AG exceeded the 5 % threshold. He is currently holding 29.91 % of the voting capital of LUDWIG BECK AG. This equals 1,005,001 votes.

Direct holdings:
Buchanan Holdings Limited (Isle of Man) has given notification that, as of December 1, 2006 its voting rights of LUDWIG BECK AG moved below the 10 % and 5 % thresholds. It is currently holding 0 % of the voting capital of LUDWIG BECK AG. This equals 0 votes.

Direct holdings:
Mr. Christian Greiner (Nuremberg) has given notification that, as of December 1, 2006 his voting rights of LUDWIG BECK AG exceeded the 5 % threshold. He is currently holding 16.17 % of the voting capital of LUDWIG BECK AG. This equals 543,203 votes.

Direct holdings:
Mr. Christian Greiner (Nuremberg) has given notification that, as of December 6, 2006 his voting rights of LUDWIG BECK AG moved below the 10 % threshold. He is currently holding 0 % of the voting capital of LUDWIG BECK AG. This equals 0 votes.

Direct holdings:
ATON GmbH (Fulda) has given notification that, as of December 6, 2006 its voting rights of LUDWIG BECK AG exceeded the 5 % threshold. It is currently holding 17.157 % of the voting capital of LUDWIG BECK AG. This equals 576,471 votes.

Indirect holdings:
Dr. Lutz Helmig (Fulda) has given notification that, as of December 6, 2006 his voting rights of LUDWIG BECK AG exceeded the 5 % threshold. He is currently holding 17.157 % of the voting capital of LUDWIG BECK AG. This equals 576,471 votes.

(8) 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 € 8,859k would result from the underlying participation agreement on the balance sheet date (previous year: € 8,939k). 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.

(9) Accruals

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

	As of Jan. 1, 2006	Use	Release	Additions	As of Dec. 31, 2006
	€k	€k	€k	€k	€k
Maintenance obligations	976	0	0	29	1,005
Impending loss from leases	7	7	0	0	0
Accruals for pensions and similar obligations	175	175	0	0	0
Others	10	10	0	0	0
Total	**1,168**	**192**	**0**	**29**	**1,005**

Maintenance obligations

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

Accruals for pensions and similar commitments

Accruals for pension commitments are established for employee benefit schemes providing for retirement, disability and surviving dependants' benefits if the pension plan is to be qualified as performance-oriented according to IAS 19. In previous years, the company has erroneously classified existing pension commitments to members of the Executive Board as contribution-oriented plan and not carried them as pension accruals.

Pension accruals for Defined Benefit Plans are determined in accordance with the internationally accepted "projected unit credit method" pursuant to IAS 19. Future pension obligations are measured on the basis of the acquired underlying entitlements as of the balance sheet date.

The company records actuarial losses in accordance with the corridor method pursuant to IAS 19.92. Furthermore, the company pays premiums to an external insurance company from which payments shall be made in the event giving rise to benefits.

The policy is a qualifying insurance policy within the meaning of 19.104 b. The insurance policy is to be classified as plan assets.

Pension accruals are determined by the difference between the cash value of pension obligations, the corridor amount and the plan assets and are composed as follows:

	Dec. 31, 2006	Dec. 31, 2005
	€k	€k
Cash value of pension obligations as of the balance sheet date	1,127	1,351
Positive plan assets (-)	-927	-746
Actuarial profits (+)/losses (-) not shown in the balance sheet	-214	-430
Balance sheet value of pension obligations	**-14**	**175**

Negative pension obligations are assets not exceeding the sum total of actuarial losses; they are valued at 0 pursuant to IAS 19.58.

The following actuarial assumptions form the basis for the determination of the balance sheet value of the commitments:

	Dec. 31, 2006	Dec. 31, 2005
	%	%
Discount factor	4.50	4.25
Pension trend	1.875	1.875

Since the pension entitlements of the members of the Executive Board are subject to contractually agreed rates of increase, the general salary trends are not to be taken into account as usual.

Actuarial profits and losses result from asset changes and deviations of the actual trends (e.g. income or interest increases) from the original calculation parameters.

At the end of the fiscal year the actuarial losses not carried as expense amounted to € 214k (previous year: € 430k).

The income statement for the fiscal year includes the following expenses for pension commitments:

	2006	2005
	€k	€k
Current service cost	97	71
Amortization of actuarial losses	23	2
Amortization of actuarial losses through settlement payments	57	0
Interest cost	57	48
	234	**121**

In the year under review pension commitments underwent the following changes:

	2006	2005
	€k	€k
Balance sheet value of pension commitments at the beginning of the year	175	232
Cost during fiscal year	234	121
Contributions to plan assets	-181	-177
Settlement of existing claims	-242	0
	-14	**175**

In the previous year, pension accruals were erroneously classified as contribution-oriented plan and not as performance-oriented plan. Last year's comparative figures were adjusted in line with IAS 8. The major amendments are as follows:

	2005 (adjusted)	Adjustment	2005
	€k	€k	€k
Accumulated profit, January 1, 2005	8,058	-136	8,194
Pension accruals	175	+175	0
Assets-side deferred taxes	4,895	+72	4,823
Personnel expense	17,461	-105	17,566
Interest cost	4,041	+48	3,993
Annual surplus before minorities	1,233	+95	1,198
Deferred taxes	587	+22	565

(10) Liabilities

	Total	of which due within 1 year	between 1 and 5 years	over 5 years
	€k	€k	€k	€k
1. Liabilities to banks	45,403	10,959	3,737	30,706
previous year	47,325	12,249	3,776	31,300
2. Trade liabilities	1,823	1,823	0	0
previous year	2,116	2,116	0	0
3. Tax liabilities	332	332	0	0
previous year	71	71	0	0
3. Other liabilities	10,801	4,274	2,269	4,258
previous year	11,213	4,642	1,979	4,592
of which taxes: € 1,113k (previous year: € 1,274k)				
of which social security: € 2k (previous year: € 450k)				
Dec. 31, 2006	**58,359**	**17,388**	**6,006**	**34,964**
previous year	60,725	19,078	5,755	35,892

Liabilities to banks (€ 32,445k), resulting from the purchase of the "Marienplatz" property are secured as follows:

Mortgages	€k	32,440
Guaranties of minority shareholders	€k	176

Other liabilities to banks of LUDWIG BECK AG amounting to € 12,957 k are secured by the pledging of shares of the fully consolidated LUDWIG BECK Beteiligungs GmbH and by transfer of ownership of inventories by way of security (see (4)).

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: € 28,861k) 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: € 479k as of December 31, 2006). These concern fixed-interest agreements. No derivative (structured product) is to be separated or valued separately.

10 a) 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 % (€ 55k) and has a book value as of December 31, 2006 of € 121k.

10 b) Liabilities to banks (short-term)

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

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Loans	2,442	2,581
Overdrafts	8,517	9,668
	10,959	**12,249**

As of December 31, 2006 there were current account credit lines of € 20,000k, 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 %.

10 c) Trade liabilities

Trade liabilities € 1,823k (previous year: € 2,116k) 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.

10 d) Other liabilities (long-term)

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Leasing	3,011	3,542
Loans Schweizer Leben	1,500	1,500
Loans Buchanan Capital Partners II "Marienplatz" GbR	1,666	1,529
External capital	350	0
	6,527	**6,571**

The loan from Buchanan Capital Partners II "Marienplatz" GbR has a term until Dec. 31, 2014. The loan from Schweizer Leben has an unlimited term and can be paid back by the company at any time. External loan capital has a term until 31, 2009 and is subordinated.

10 e) Other liabilities (short-term)

	Dec. 31, 2006	Dec. 31, 2005
	€k	**€k**
Wage and sales taxes	1,445	1,354
Social security contributions	2	450
Purchase vouchers	705	702
Leasing	532	665
Personnel expenses	678	569
Audit and tax declaration fees	208	174
Accruals (accrued liabilities)	704	407
Others	0	321
	4,274	**4,642**

Liabilities from finance leasing

	Total	of which due within 1 year	of which due between 1 and 5 years	of which due over 5 years
	€k	€k	€k	€k
1. Liabilities from finance leasing	3,542	532	1,919	1,092
Previous year	4,207	665	1,978	1,564
2. Minimum leasing payments	4,159	695	2,316	1,148
Previous year	5,021	862	2,473	1,686
3. Interest	617	164	396	57
Previous year	814	197	495	122
4. Amortization	3,542	532	1,919	1,092
Previous year	4,207	665	1,978	1,564

In the fiscal year 2006, liabilities from finance leasing developed as follows:

Cash value, Jan. 1, 2006	€k	4,207
Additions 2006	€k	0
Decrease 2006	€k	91
Leasing rate 2006	€k	771
Interest cost 2006	€k	197
Cash value, Dec. 31, 2006	**€k**	**3,542**

All leasing agreements of the company qualifying as leasing contracts pursuant to German law, are to be classified as finance leasing contracts in line with IAS 17. There are operating leasing agreements within the scope of rental agreements concerning branches of the Group as well as car leasing; they are shown under "other financial obligations".

10 f) Tax liabilities

Income tax liabilities amount to € 332 k (previous year: € 71k) as of December 31, 2006.

(11) Deferred taxes (liabilities-side)

Liabilities-side deferred taxes were presented together with the assets-side deferred taxes (2).

II. Consolidated income statement

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

(12) Sales revenues

	2006	2005
	€k	€k
Sales revenues	87,382	87,668

Sales revenues are explained in more detail in the Group's segment reporting section. With the exception of an amount totaling € 6k (previous year: € 11k), all sales revenues of the LUDWIG BECK Group were generated in Germany.

(13) Own work capitalized

In the fiscal year 2006, own work capitalized amounted to € 127k (previous year: € 23k). This item includes personnel expenses during rebuilding work at the flagship store in Munich.

(14) Other operating income

The other operating income consist of the following:

	2006	2005
	€k	€k
Rent receipts and on-charged expenditure on office space	864	787
Administrative earnings	27	3
Sales proceeds	1,149	927
Personnel earnings	297	267
Canteen earnings	354	341
other	261	309
	2,952	**2,634**

The other operative earnings include aperiodic income in the amount of € 208k (previous year: € 56 k).

(15) Cost of materials

	2006	2005
	€k	€k
Cost for raw materials, supplies and merchandise	46,074	46,716

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

	2006	2005
	€k	€k
Wages and salaries	14,356	14,454
Social security	2,728	2,759
Pension costs	350	248
	17,434	**17,461**

Pension costs:

The Company has set up so-called contribution-oriented and performance-oriented pension schemes (IAS 19) for employees of the LUDWIG BECK Group. These are divided into two 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.

Concerns a contribution-oriented plan within the meaning of IAS 19.

The cost of these pension obligations in 2006 amounted to € 173k (previous year: €175k).

A total of 367 employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

The company gave the members of the Executive Board a commitment for old-age benefits. The commitment concerns a performance-oriented plan within the meaning of IAS 19. In previous years, the commitment was erroneously classified as contribution-oriented. Last year's presentation was adjusted in line with IAS 8.

Expenses for the appropriation to pension accruals as well as for the reversal of actuarial losses are included in the aforementioned sum total in the amount of € 177 k (previous year: € 73 k). For further explanations we refer to sub-clause 9.

(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:

	2006	2005
	€k	€k
Write downs on short-term receivables	36	38
Cost of office and store space	8,626	8,619
Administration expenses	2,238	1,998
Sales expenses	4,097	4,144
Other personnel expenses	703	692
Insurance/contributions	199	234
Other taxes	111	111
Others	762	666
	16,772	**16,502**

The aperiodic expenses in fiscal year 2006 amounted to € 65k (previous year: € 119k).

(19) Financial result

	2006	2005
	€k	€k
Other interest and similar income	6	6
Interest and similar expenditure	3,711	4,041
Financial result	**-3,705**	**-4,035**

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 € 197k, pension commitments € 57k (previous year: € 48k).

(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 € 261k (previous year: € 71k) accrued for 2006.

	2006	2005
	€k	€k
Income taxes due to minimum taxation	261	71
Deferred tax expense due to creation and reversal of temporary differences	866	516
	1,127	**587**

Deferred tax expense	2006	2005
	€k	€k
From the change in loss carry forwards	760	475
From capitalizing finance lease assets	38	60
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	-25	-24
From temporary differences in the depreciation of fixed assets	17	-28
Other	71	28
Total deferred tax expense	**866**	**516**

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:

	2006	2005
	€k	€k
Result before income taxes	3,062	1,820
Theoretical tax rate in %	41	41
Calculated tax expense	1,255	745
Change in the calculated tax expense due to:		
Netting of tax-neutral losses with taxable earnings of consolidated companies	14	16
Tax-neutral minority interests	-220	-233
Tax expense due to temporary differences of Feldmeier GmbH & Co. Betriebs KG	26	2
Deferred taxes on a special item with equity portion in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG	-19	-19
Tax expense due to non-deductible expenditure and additions	71	76
Actual tax expense	**1,127**	**587**

(21) Minority interests

Minority interests in the period under review comprise the following:

	2006	2005
	€k	€k
Feldmeier GmbH & Co. Betriebs KG	-537	-568
LUDWIG BECK Verwaltungs GmbH	0	0
Total	**-537**	**-568**

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:

	2006	2005
	€k	€k
Capital contribution to revenue reserves	586	214

(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

	2006	2005
	€k	€k
Consolidated net income in €k	1,935	1,233
Consolidated net income after minority interests in €k	1,398	665
Weighted number of shares in thousands	3,360	3,360
Earnings per share in € (undiluted and diluted)	0.42	0.20

The undiluted and diluted results are identical. Contingent capital and authorized capital are among the instruments that might have a dilutive effect on the result per share (compare C.I.7).

(24) Dividend proposal

The Executive Board has proposed the distribution of a dividend in the amount of € 672k to shareholders with regard to appropriation of profit. This equals a dividend per share of € 0.20.

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)
	Monolabel

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

The consolidated sales and earnings relating to these segments in fiscal 2006 were as follows:

	Retail	Franchise	Reconciliation	Group
	€k	**€k**	**€k**	**€k**
Sales revenues (net)	**79,677**	**7,705**	**0**	**87,382**
Inter-segment sales	0	0	0	0
Non-Group sales	79,677	7,705	0	87,382
Segment earnings (EBIT)	**6,246**	**521**	**0**	**6,767**
Interest income				6
Interest expenditure				3,711
Financial result				**-3,705**
Income taxes				1,127
Net income/loss				**1,935**
Depreciation included in segment	3,155	260	0	3,415
Segment assets	105,726	780	0	106,506
Segment liabilities	72,689	0	0	72,689
Investment in long-term assets	2,605	20	0	2,625

Inter-segment transactions:

No intersegment transactions were conducted in the fiscal year 2006, since LUDWIG BECK Vertriebs GmbH was merged with LUDWIG BECK AG with backdated effect as of January 1, 2006. Due to the merger as of January 1, 2006, a reliable determination of segment debt as of December 31, 2006 would not have been possible without significant investment of time and effort; therefore segment debt was not determined for essentiality reasons.

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)	**5,588**	**267**	**0**	**5,588**
Interest income				6
Interest expenditure				4,041
Financial result				**-4,035**
Income taxes				587
Net income/loss				**1,233**
Depreciation included in the segment	3,306	469	0	3,775
Segment assets	112,029	1,814	-5,716	108,127
Segment liabilities	76,565	1,294	-5,716	72,143
Investment in long-term assets	1,597	12	0	1,609

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. Notes and explanations to the equity statement

The equity statement reflects the changes to individual Group equity items in the course of the year under review. Presentation is in accordance with IAS 1.

G. 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 2006	2005	Total commitment 2006	2005
	€k	€k	€k	€k
Lease commitments incl. ground rent	6,588	6,793	98,473	80,843
Advertising contribution commitments	225	232	1,650	1,905

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	6,588	25,718	66,167	98,473
Advertising contribution commitments	225	885	540	1,650

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 AktG (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG filed their declaration of conformity acc. to § 161 AktG on November 16, 2006. The requirements of the Corporate Governance Code as amended on June 12, 2006 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 June 2, 2005 since the release of the last declaration of conformity on November 24, 2005. 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) until December 31, 2006
Dieter Münch
Oliver Haller as from January 1, 2007

Total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft in the fiscal year 2005 amounted to a total of € 922k (previous year: € 748k). As of December 31, 2006, the members of the Executive Board held 26,700 no-par shares (previous year: 25,700; purchase: 1,000; 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 (worker representative)
Eva-Maria Stähle, commercial clerk, Wessling (worker representative)
Steven Wilkinson, businessman, Starnberg

Total remuneration of the Supervisory Board in the fiscal year 2005 amounted to a total of € 101k (previous year: €101k).

LUDWIG BECK AG received consultation services from CMS Hasche Sigle lawyers and tax consultants for € 225k. Dr. Eva Annett Grigoleit is employed at this firm.

Consultation services were received from the Buchanan Capital Group for € 115k. Mr. Steven Wilkinson is employed at this company.

As of December 31, 2006, the members of the Supervisory Board held 14,256 no-par shares directly (previous year: 256, purchase: 14,000, sale: 0).

A comprehensive remuneration report in accordance with Sec. 315 par 1, No. 6a, German Commercial Code (HGB) is included in the company's consolidated management report.

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. Steven Wilkinson:	
Administrative Council:	Buchanan Wertgrund Immobilien AG, Starnberg

Miscellanous

Buchanan Capital Partner II "Marienplatz" GbR has granted long-term pledged loans in the amount of € 1,666k. Buchanan Holdings Limited is partner of the civil-law company GbR.

In the fiscal year 2006, Mr. Karl Schleicher extended a loan in the amount of € 350k to the company on market conditions. At the date the loan was extended, Mr. Karl Schleicher was a closely connected person.

V. Audit fees

The fee of the auditor for the lapsed fiscal year 2006 amounts to € 399k (previous year: 362).

The fee for the audit of the consolidated financial statements and the annual financial statements amounted to€ 169k (previous year: € 158k). For other authentication or valuation services, an amount of €88k (previous year: € 22k) has accrued as well as € 35k (previous year: € 45k) for tax consultation and € 106k (previous year: € 137k) for other services.

VI. Personnel

The Group members of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG employed an average of 543 people in 2005 (previous year: 540), of which 185 (previous year: 189) were part-time staff and 124 (previous year: 107) temporary staff. Interns were not included in the calculation.

Munich, in February, 2007

Dieter Münch Oliver Haller

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 consisted particularly of the following measures:

- Request and audit of quarterly reports regarding basic issues of 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 Corporations Act (AktG));

- Questioning of management at the eight 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 statements, 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 eight meetings called in 2006 (January 24, March 14, April 6, May 8, May 24, July 3, July 31 and November 16) on a regular basis. The company's auditor also took part in the balance sheet meeting according to § 171 par. 1 AktG on March 14. 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 2006 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 January 24, and May 8, 2006. The audit committee met on March 7, 2006 and resolved in written consent in lieu of a meeting to recommend the Supervisory Board to give the audit assignment to 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, on March 7, 2006, asked for a declaration by the auditor 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 consulting 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 16, 2006.

The annual financial statements and the consolidated financial statements as of December 31, 2006 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 extensively discussed in the presence of the auditor by the auditing committee 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 to the result of the audit performed by the auditor and raises no objections on the basis of its own conclusive analysis results. 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 12, 2006. The annual financial statements have therefore been established.

The Supervisory Board examined the subordinate status report of the Executive Board. The Executive Board's final declaration on the subordinate status report reads as follows:

"In the fiscal year 2006, no legal transactions or measures within the meaning of § 312, Joint Stock Corporation Act (AktG) were conducted or taken which have to be included into the report."

The opinion issued by the auditor with regard to the subordinate status report reads as follows:

"After having duly examined and assessed the contents of the report, we hereby confirm that the stated facts are correct."

Furthermore, the auditor confirmed that after completion of his audits no objections against the subordinate status report were to be raised within the meaning of § 313 par 4 Joint Stock Corporation Act (AktG). No objections were made in the auditor's report or the auditor's opinion. Hence the Supervisory Board, in line with the conclusive result of its own examinations, gives its consent to the concluding statement of the Executive Board' report. No objections are to be raised.

According to Sec. 171 par 2, sent. 2 Stock Corporation Act (AktG), we specify the information required pursuant to Sec. 289 par 4, Sec. 315 par 4, Commercial Code (HGB) as provided in the management report (page 12) and the consolidated management report (page 11 et seq.) as follows:

The composition of the subscribed capital as well as the provisions concerning the appointment and removal of members of the Executive Board, or amendments to the Articles of Association are in compliance with statutory requirements and are self-explanatory.

More than ten per cent of the voting rights of LUDWIG BECK AG are directly or indirectly held by:

- INTRO – Verwaltungs GmbH (Reichenschwand) 29.91 %,
- Rudolf Wöhrl AG (Nuremberg) 29.91 %,
- Mr. Hans Rudolf Wöhrl (Nuremberg) 29.91 %,
- ATON GmbH (Fulda) 17.157 %,
- Dr. Lutz Helmig (Fulda) 17.157 %.

Explanations on individual factual situations according to Sec. 289 par 4, Sec. 315 par 4, Commercial Code (HGB), i.e.

- No. 2 (Restrictions concerning voting rights or transfer of shares),

- No. 4 (Naming of shareholders vested with special rights conferring powers of control, and description of such rights),

- No. 5 (Details of vote control if shareholding employees are not directly exercising control),

- No. 7 (Authorisation of the Executive Board especially regarding the possibility to issue or to repurchase shares),

- No. 8 (Major agreements concluded by the company, which are subject to a change of control following a takeover offer as well as the resulting consequences), and

- No. 9 (Indemnification agreements concluded by the company with members of the Executive Board and Supervisory Board or employees for the case of a takeover offer)

are not required since the pertinent information was not to be disclosed within the scope of the management report and consolidated management report.

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 our employees for their great efforts, which in the future will also be among the most important success factors of LUDWIG BECK.

Munich, in March 2007

Dr. Joachim Hausser
Chairman of the Supervisory Board

Auditor's report

We have audited the consolidated financial statements prepared by the LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comprising the balance sheet, the incomestatement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany](IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal controlsystem and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 2, 2007

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

ppa. J. Mayer	W. Zimmermann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Adresses & opening hours

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Financial calender

January 4, 2007	Sales figures for 2006
March 12, 2007	Annual press conference in Munich
March 12, 2007	Release of 2006 financial statement
March 13, 2007	Analyst's conference in Frankfurt
April 26, 2007	Three-month report for 2007
May 25, 2007	Annual General Meeting in Munich
July 26, 2007	Half-report for 2007
October 25, 2007	Nine-month report 2007

Structure of the company

LUDWIG BECK AG

LUDWIG BECK flagship store	LUDWIG BECK stores	LUDWIG BECK Monolabels	LUDWIG BECK warehouse outlets
LUDWIG BECK "Store of the senses" Munich	LUDWIG BECK at the PEP Munich	ESPRIT at the OEZ Munich	LUDWIG BECK fashion outlet Parsdorf/Munich
LUDWIG BECK HAUTNAH at the FÜNF HÖFEN Munich	LUDWIG BECK at the Riem-Arcaden Munich	s.Oliver Regensburg	
	LUDWIG BECK at the City-Galerie Augsburg	s.Oliver at the Regensburg-Arcaden	
	LUDWIG BECK at the City-Center Landshut		

100 % subsidiary

LUDWIG BECK Beteiligungs GmbH

50,1 %

50,2 %

Feldmeier GmbH & Co. Betriebs KG	LUDWIG BECK Verwaltungs GmbH

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