

Half-year report 2007

for the period from January 1, 2007 to June 30, 2007

- + Turnover increased by 6.3 % on comparable areas
- + EBT raised by € 0.5m
- + Renovations to the 'Store of the Senses' successfully launched



Key figures of the group

€m	Jan. 1, 2007 –Jun. 30, 2007	Jan. 1, 2006 –Jun. 30, 2006
Gross sales (incl. sales tax)	46.2	44.0
Gross profit ¹⁾	18.2	17.9
EBITDA	2.8	2.6
EBIT	1.1	0.8
Net loss	-0.3	-0.5
Earnings per share (in €) ²⁾	-0.15	-0.24
Capital expenditures	1.7	0.9
Employees (as of Jun. 30) ³⁾	533	523
Apprentices (no.)	42	54

¹⁾ Net sales minus cost of materials ²⁾ Basis 2006 and 2007: 3.36 million shares ³⁾ Without apprentices

Introduction

LUDWIG BECK's financial reporting is based on the International Financial Reporting Standards (IFRS) and conforms to § 37w Securities Trading Act (WpHG). Generally, the interim report is prepared as an update of the business report focusing on the current reporting period. The group accounts prepared in addition thereto in accordance with IFRS serve as a fundamental basis for LUDWIG BECK's financial reporting in compliance with IFRS as leading accounting system. Therefore, the interim report should be read together with the IFRS-compliant group accounts and the business report published for the fiscal year 2006.

Interim consolidated management report

Earnings situation

Development of sales

LUDWIG BECK had a very successful start into the fiscal year 2007 and could continue the positive business trend also in the second quarter. The aggregate gross turnover of the Group amounted to € 46.2m in the first half year (previous year: € 44.0m) equaling an increase of 5.2 %. The gross turnover on comparable areas even rose more significantly by 6.3 % to € 46.2m (previous year: € 43.5m). Again LUDWIG BECK showed a better development than the business sector in general, which scored an average sales plus of 1 % in the first six months of 2007 according to 'TextilWirtschaft'.

A review of the first half year: The VAT increase to 19 % at the beginning of the year showed no negative effects on the company's sales development in the months of the second quarter. The sales figures of the first half year clearly exceeded all expectations. The redesign of the ground floor and façade of the 'Store of the Senses' at Marienplatz that started in the middle of June did not adversely affect the results. On the contrary: the large clearance sale held by LUDWIG BECK at the same time was a great success.

Earnings situation

In the first six months, net profits of LUDWIG BECK at group level came to € 18.2m (previous year € 17.9m). The net profit margin amounted to 46.8 % (previous year: 47.1 %).

Continued optimized cost management helped to further reduce the expense ratio (expenses in comparison to corresponding proceeds) to 44.1 % points, which is 0.9 % points below last year's value of 45.0 %.

LUDWIG BECK's EBIT went up from € 0.8m to € 1.1m. Income from ordinary activities (EBT) rose even more and increased by € 0.5m from € -1.0m to € -0.5m in comparison to last year's results.

Financial situation

Cashflow

The cashflow from current business (€ 0.0m) was well balanced in the first half of 2007 (previous year: € -1.2m). The cashflow from investments went up from € 0.9m to € 1.7m due to an investment offensive. The cashflow from financing activities was kept at last year's level and amounted to € 2.2m at the relevant date (previous year: € 2.3m).

Investments

In the first six months of 2007 LUDWIG BECK mainly invested in fixtures and fittings at the flagship store at Marienplatz in Munich. All in all, the Group's capital expenditures rose by € 0.8m from € 0.9m to € 1.7m in the first half of 2007.

Asset situation

Balance sheet structure

The balance sheet total of the LUDWIG BECK Group went down 1.1 % to € 107.6m (previous year: € 108.9m) as of the relevant date, June 30, 2007.

As usual, the assets side of the LUDWIG BECK balance sheet was characterized by real investment and long-term assets in the value of € 87.2m, inclusive of the real property at Marienplatz in Munich. All in all, long-term assets went down € 1.2m to € 95.0m (previous year: € 96.2m). Short-term assets amounting to € 12.6m were kept at a level comparable to the previous year (€ 12.7m).

On the liabilities side, the company's equity rose to € 32.6m (previous year: € 31.7m). The capital ratio went up to 30.3 % (previous year: 29.1 %).

Long-term liabilities were increased by 6.9 % to € 49.7m in comparison to the previous year (€ 46.5m). At the same time, short-term liabilities could be reduced by 24 % from € 21.7m to € 16.5m. This development was achieved by the optimization of the financial structure including the regrouping of liabilities. In the second quarter of 2007 the Company exchanged short-term lines against new medium-term bank loans.

Employees

At the end of the first half year, the number of employees (without apprentices) was 525 (previous year: 522) in accordance with Section 267 para 5 Commercial Code (HGB). The weighted number of full-time employees at group level went up to 379 (previous year: 372). At the relevant date, June 30, 2007, 42 apprentices (previous year: 54) were employed by LUDWIG BECK.

Risk report

Within the scope of its activities in the sales markets, the LUDWIG BECK Group is exposed to various risks connected with entrepreneurial transactions. A detailed description is contained in our current business report for the year 2006 (page 42 et seq.). It can also be found on our website www.ludwigbeck.de under Investor Relations/financial publications.

Forecast report

The first half of 2007 was characterized by an improved consumption climate – despite of the VAT increase. Economic researchers expect the positive momentum to continue in the second half of 2007 as well. As a result, growth projections had to be generally reviewed: The Institute for World Economics (IfW) in Kiel anticipates the gross domestic product 2007 to rise by 3.2 %. According to the Association for Consumption Research (GfK) the economic climate is characterized by fast successes in the labour market and a favourable world economy. Thus, the upswing has a strong basis and LUDWIG BECK joins in the optimistic forecasts and expects the positive business development trend to continue for the rest of fiscal year 2007.

Within the scope of its well-established Trading Up strategy, the upgrading of product ranges and departments, the company will also carry out one of its largest renovation and extension projects at the flagship store at Marienplatz. With a completely remodelled entrance area, various renovations to the ground floor, a completely new design of the passage and a new façade the 'Store of the Senses' will become a representative new eye-catcher and showpiece beside the City Hall at Munich's famous Marienplatz. The works will be completed in September 2007 and 200 square meters of additional sales space will then be available.

In order to further optimize its branch concept, LUDWIG BECK will close its multi-label branch 'pep' as per December 31, 2007. All employees will be offered employment in other sections of the enterprise.

LUDWIG BECK AG expects the corporate tax reform enacted in July to have a positive one time effect on the earnings situation. The deferred taxes on the assets and liabilities side will be re-evaluated in accordance with the new tax rates in the second half of the year. This re-evaluation will imply new tax yields. They will have no effect on liquidity. In consideration of the consequences of an external tax audit of the LUDWIG BECK Group the positive effects are expected to amount to € 0.8m.

Due to the positive business development we correct our predictions concerning the net income for the year after minorities from € 1.5m to € 2.5m. € 0.8m of allowable special revenues are taken into consideration. For 2008 we expect an annual net income after minorities of € 2.5m (previous amount: > 2.0m).

The year 2008 is expected to bring further positive changes for LUDWIG BECK. The Company plans to enlarge the fifth floor at Marienplatz to gain approximately 800 additional square meters of sales space. This measure will provide LUDWIG BECK with more space to sell individual, exclusive brands and create new sales potentials.

Therefore, the LUDWIG BECK Group is confidently looking forward to an exciting second half of the year. As usual, our visitors can expect captivating highlights from our product range, extraordinary shop events and a new attraction at Marienplatz in Munich.

Munich, in July 2007

The Executive Board

Appendix

Accounting in compliance with International Financial Reporting Standards (IFRS)

The present quarterly accounts of the Ludwig Beck AG Group as per June 30, 2007 have been prepared in compliance with the provisions of the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretation Committee (IFRIC).

Presentation method

The quarterly accounts are prepared in compliance with IAS 34 (interim reporting).

Methods of accounting and valuation

The quarterly accounts are based on the same methods of accounting and valuation as the group accounts as per December 31, 2006. A comprehensive description of these methods is contained in the Appendix to the published IFRS group accounts as per December 31, 2006.

Relationships with closely related enterprises and persons

Beside the relationships with closely related enterprises and persons named in the group accounts as of December 31, 2006, it has to be mentioned that LUDWIG BECK AG received a short-term, low-interest loan in the amount of € 1.0m from ATON GmbH, Fulda, in March 2007. In August 2007, ATON GmbH will extend another loan to LUDWIG BECK AG in the amount of € 1.5m.

The sums were exactly computed and then rounded to €m. The percentages given in the text were determined on the basis of the exact (not rounded) values.

Affirmation of the legal representatives pursuant to Section 37y Securities Trading Act (WpHG) in connection with Section 37w para 2 No. 3 Securities Trading Act (WpHG)

"To the best of our knowledge we affirm that the interim group accounts are conforming to the applicable accounting principles for interim reporting and reflect the actual asset, financial and earnings situation of the Group and the group interim management report describes the course of business including the operating result and the situation of the Group as to give an accurate picture of the actual state of affairs and the opportunities and risk of the Group's future development in the further course of this fiscal year."

Auditor's certification

To Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG:

We have reviewed the abridged interim group accounts – comprising the abridged balance sheet, the abridged profit and loss account, the abridged cashflow statement, the abridged statement of changes in shareholders' equity and selected information in the Notes in the Appendix – and the group interim report of Ludwig Beck am Rathauseck – Textilhaus Feldmeier AG for the period from January 1 to June 30, 2007, which are constituent parts of the semi-annual report in accordance with Section 37w Securities Trading Act (WpHG). The preparation of the abridged interim group accounts according to IFRS for interim reporting, such as are to be applied in the EU, and the group interim report according to Securities Trading Act (WpHG) regulations to be applied to group interim reports, is the responsibility of the legal representatives of the company. It is our duty to issue certification pertaining to the abridged interim group accounts and the group interim report on the basis of our review.

We conducted our review of the abridged interim group accounts and the group interim report in observance of the German principles promulgated by the Institute of Auditors (IDW) for the review of financial statements. These principles require that we plan and perform our review such that, upon critical assessment, we can reasonably determine that the material concerns of the abridged consolidated interim financial statements comply with IFRS for interim reporting such as are to be applied in the EU, and that the material concerns of the group interim report comply with Securities Trading Act (WpHG) regulations to be applied to group interim reports. A review is limited primarily to inquiries of company personnel and to analytical assessments and thus does not provide the assurance that can be obtained from an audit of the financial statements. In accordance with our engagement, we have not performed an audit of the financial statements and, accordingly, we are not in a position to express an auditor's opinion.

Based on our review, we are not aware of any matters that would cause us to assume that the material concerns of the abridged financial statements do not comply with IFRS for interim reports such as are to be applied in the EU, or that the material concerns of the group interim report do not comply with Securities Trading Act (WpHG) regulations to be applied to group interim reports.

Munich, July 20, 2007

AWT Horwath GmbH
CPA firm

per pro. J. Mayer
Certified Public Accountant

W. Zimmermann
Certified Public Accountant

Consolidated income statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1– June 30, 2007, acc. to IASB

	Jan. 1, 2007 –Jun. 30, 2007	Jan. 1, 2006 –Jun. 30, 2006	Apr. 1, 2007 –Jun. 30, 2007	Apr. 1, 2006 –Jun. 30, 2006
	€m	€m	€m	€m
1. Sales revenues				
- sales (gross)	46.2	44.0	23.2	22.0
- minus sales tax	7.4	38.9	3.7	3.0
2. Other operating income		1.2	1.3	0.5
	40.1	39.2	20.0	19.6
3. Cost of materials	20.7	20.0	10.2	9.8
4. Personnel expenses	8.5	8.6	4.3	4.3
5. Depreciation	1.7	1.8	0.9	0.9
6. Other operating expenses	8.0	39.0	38.4	19.2
7. EBIT	1.1	0.8	0.8	0.8
8. Financial result				
of which financing expenses € 1.7m	-1.6	-1.8	-0.8	-0.9
(previous year: € 1.8m)				
9. EBT	-0.5	-1.0	0.0	-0.1
10. Deferred taxes				
	-0.3	-0.5	0.0	-0.1
11. Consolidated net loss before minority interests	-0.3	-0.5	0.0	0.0
12. Minority interests				
	0.2	0.3	0.1	0.1
13. Consolidated net loss after minority interests	-0.5	-0.8	0.0	-0.2
Earnings per share (undiluted and diluted) in €				
Average number of outstanding shares in thousands	-0.15	-0.24	-0.01	-0.05
	3.36	3.36	3.36	3.36

Segment reporting

	Retail	Franchise	Group
	€m	€m	€m
Jan. 1, 2007–Jun. 30, 2007			
Non-Group sales (net)		36.2	2.7
Segment result (EBIT)	0.8	0.2	1.1
Quarter Apr. 1, 2007–Jun. 30, 2007			
Non-Group sales (net)		18.0	1.5
Segment result (EBIT)	0.7	0.2	0.8
Jan. 1, 2006–Jun. 30, 2006			
Non-Group sales (net)		35.0	2.9
Segment result (EBIT)	0.7	0.1	0.8
Quarter Apr. 1, 2006–Jun. 30, 2006			
Non-Group sales (net)		17.4	1.6
Segment result (EBIT)	0.7	0.1	0.8

Consolidated balance sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich,
as at June 30, 2007, acc. to IASB

Assets	Jun. 30, 2007	Dec. 31, 2006	Jun. 30, 2006
	€m	€m	€m
A. Long-term assets			
I. Intangible assets	3.3	2.8	2.8
II. Property, plant and equipment	87.2	87.8	87.9
III. Deferred taxes	4.2	4.0	5.3
IV. Other assets	0.2	0.2	0.2
	95.0	94.8	96.2
B. Short-term assets			
I. Inventories	9.7	9.2	10.7
II. Receivables and other assets	1.6	1.7	1.3
III. Cash and cash equivalents	1.3	0.8	0.7
	12.6	11.7	12.7
	107.6	106.5	108.9
Shareholders' equity and liabilities	Jun. 30, 2007	Dec. 31, 2006	Jun. 30, 2006
	€m	€m	€m
A. Shareholders' equity			
I. Subscribed capital	8.6	8.6	8.6
II. Reserves	8.6	8.9	7.7
III. Net income	0.0	0.9	0.0
IV. Supplementary item from minority interests	15.4	15.4	15.4
	32.6	33.8	31.7
B. Potential compensation claim by minority shareholders	8.8	8.9	9.0
C. Long-term liabilities			
I. Long-term liabilities to banks	37.9	34.4	34.6
II. Accruals	1.0	1.0	1.0
III. Other liabilities	6.3	6.5	6.4
IV. Deferred tax liabilities	4.4	4.5	4.5
	49.7	46.4	46.5
D. Short-term liabilities			
I. Liabilities to banks	9.9	11.0	16.0
II. Trade liabilities	1.6	1.8	2.2
III. Tax liabilities	0.2	0.3	0.0
IV. Other liabilities	4.9	4.3	3.5
	16.5	17.4	21.7
	107.6	106.5	108.9

Consolidated cash flow statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–June 30, 2007, acc. to IASB

	Jan. 1, 2007 -Jun. 30, 2007	Jan. 1, 2006 -Jun. 30, 2006
	€m	€m
Cash flow from operating activities:		
Net loss before minority interests, taxes and extraordinary items	-0.5	-1.0
Adjustments for:		
+ depreciation of fixed assets	1.7	1.8
+ interest expenses	1.6	1.8
Operating result before changes to net working capital	2.8	2.6
Increase/decrease (-/+) in assets	-0.3	-1.1
Increase/decrease (+/-) in liabilities	-0.8	-0.9
Net cash from operating activities (before interest payments)	1.7	0.6
Interest paid	-1.6	-1.8
Net cash from operating activities	0.0	-1.2
Disbursements for additions to fixed assets	-1.7	-0.9
Net cash used in investing activities	-1.7	-0.9
Disbursements to minority interests	-0.3	-0.3
Dividend payment	-0.7	-0.3
Acceptance/repayment of bank liabilities	2.4	3.3
Acceptance/repayment of other net interest-bearing liabilities	1.0	0.0
Acceptance/repayment of other long-term borrowing (finance leasing)	-0.3	-0.4
Net cash from financing activities	2.2	2.3
Change in cash and cash equivalents	0.5	0.2
Cash and cash equivalents at beginning of period	0.8	0.5
Cash and cash equivalents at end of period	1.3	0.7

Consolidated equity statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–June 30, 2007, acc. to IASB

	Share capital	Generated capital	Supplementary item from minority interests	Total
	€m	€m	€m	€m
Balance as of Jan. 1, 2007	8.6	9.8	15.4	33.8
Net loss after minority interests		-0.5		-0.5
Dividend payment		-0.7		-0.7
Balance as of Jun. 30, 2007	8.6	8.6	15.4	32.6
Balance as of Jan. 01, 2006	8.6	8.8	15.5	32.9
Net loss after minority interests		-0.8		-0.8
Dividend payment		-0.3		-0.3
Changes in supplementary item			-0.1	-0.1
Balance as of Jun. 30, 2006	8.6	7.7	15.4	31.7