

# **Interim Group Accounts for the Third Quarter and the First Nine Months of the Fiscal Year 2008**

for the Period January 1 to September 30, 2008

LUDWIG BECK



# Key Figures of the Group

€m	Jan. 1, 2008 –Sept. 30, 2008	Jan. 1, 2007 –Sept. 30, 2007
Gross sales (incl. sales tax)	69.5	69.5
Gross profit <sup>1)</sup>	27.9	27.3
EBITDA	5.9	4.5
EBIT	3.1	1.9
Net profit	0.5	0.5
Earnings per share (in €) <sup>2)</sup>	0.02	0.06
Investments	4.3	4.4
Employees (as of Sept. 30) <sup>3)</sup>	525	541
Apprentices (no.)	45	46

<sup>1)</sup> Net sales minus cost of materials

<sup>2)</sup> Basis 2007: 3.36m shares; basis 2008: 3.70m shares

<sup>3)</sup> 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 annual 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 2007.

## Report on the earnings, financial and asset situation

### Earnings situation

#### Development of sales

In the last months, the German economy has been affected by the aggravating financial crisis which started with the US sub-prime crisis in the early summer of 2007. Meanwhile the repercussions of this troublesome development in the rest of the world have also reached Germany. A markedly downward trend in demand and production figures and other critical mood indicators was investigated by the major economic research institutes. The Federal Government of Germany also drastically lowered its growth expectations for the coming year. The financial crisis is still keeping the world in suspense. Increasingly negative news from stock exchanges and banks instigate consumers' fears. Experts are predicting stagnating consumption in Germany in the wake of the financial crisis.

Consequently, wide-spread bad mood among customers already led to deteriorating sales in the textile retail trade, and the 2008 annual turnover dropped by 4 % as per the end of September according to 'TextilWirtschaft'.

The LUDWIG BECK Group was able to contrast favorably against the negative general branch trend in the third quarter of 2008. In the period from July to September 2008, LUDWIG BECK increased gross sales by 10.4 %, i.e. from € 23.2m in the previous year to € 25.7m. Adjusted for a branch dissolved in the previous year, gross sales even rose more distinctly by 13.3 %.

In the first nine months of 2008 group gross sales amounted to € 69.5m, thus reaching last year's level. The branch adjusted gross sales of LUDWIG BECK could even be increased by 2.4 % in comparison to the previous year.

The positive development is particularly due to favorable sales figures generated by the refurbished departments of the flagship store at Marienplatz. Furthermore, the corresponding quarter of the preceding year was marked by reconstruction measures which had an adverse effect on turnover.

#### Development of earnings

In the first nine months of 2008, the LUDWIG BECK Group could register gross profits in the amount of € 27.9m exceeding last year's level (€ 27.3m) by 2.1 %. The gross profit margin was increased by 1.0 percentage points in comparison to the previous year (46.8 %) and went up to 47.8 %.

In the first nine months of 2008, the cost ratio (expenses in comparison to corresponding proceeds) could be cut again by 1.0 percentage points and dropped from 43.5 % in the previous year to 42.5 %.

The group's EBIT amounted to € 3.1m (previous year: € 1.9m) and thus could be significantly increased by 62.2 %.

The EBT rose by € 1.4m, from € -0.6m to € 0.8m in comparison to the corresponding period of the previous year.

Non-recurrent special tax effects in the amount of € 0.8m based on the corporate tax reform had a positive effect on last year's proceeds, so that the results before minority interests of the stated nine-month period of 2008 reached last year's € 0.5m level.

### Financial situation

#### Cash flow

The cash flow from operating activities amounted to € -0.6m in the first nine months of 2008 (previous year: € -1.4m). Investment expenses, especially for remodeling the fifth floor of the flagship store at Marienplatz, amounted to € 4.3m and were comparable to last year's expenses (€ 4.4m). As a result of the group's improved earnings situation the cash flow from financing activities could be lowered from € 5.9m in the previous year to € 4.3m in 2008.

#### Investments

Investment expenses on group level mainly concerning the flagship store at Marienplatz focused on refurbishment and extension measures on the fifth floor, and created approximately 1,000 square meters of new sales space.

## **Asset situation**

### **Balance sheet structure**

The balance sheet total of the LUDWIG BECK Group rose to € 111.3m as per the relevant date, September 30 (December 31, 2007: € 107.4m).

The increased balance sheet total is mainly due to investments in long-term assets and seasonal inventories increase counteracted by a reduction of accounts receivables and other assets and a decline in liquid funds.

Higher liabilities as per the relevant date are mainly due to investments and increased inventories. All in all, the company's liabilities payable amounted to € 63.4m (December 31, 2007: € 58.4m).

### **Employees**

In accordance with Section 267 par. 5 Commercial Code, the number of employees (without apprentices) was 523 (previous year: 530). The weighted number of full-time employees at group level went down to 374 (previous year: 381). At the relevant date, September 30, 2008, 45 apprentices were employed by LUDWIG BECK (previous year: 46).

### **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 2007 (page 63 et seq.). It can also be found on our website [www.ludwigbeck.de](http://www.ludwigbeck.de) under Investor Relations/Financial Publications.

### **Forecast report**

The economic situation will remain tense. The last weeks were marked by dramatic events in the financial branch. According to the International Monetary Fund (IMF) the main risk lies in the potential spreading of the turmoil currently affecting the financial systems to the real economy. Leading economic researchers are expecting a further economic slowdown in the Euro zone in coming quarters. According to the European Central Bank (ECB), curbed domestic demand and aggravated financing conditions will further damp economic growth in that region. The IMF is forecasting a total halt of the economic development in Germany as a consequence of the world economy's faltering in the wake of the financial crisis.

Experts are expecting private consumption to develop moderately in the future since consumer confidence has deteriorated as well. The gloomy mood is also rampant among retail enterprises. The German Retail Federation (HDE) is still anticipating a low-level growth plus for the whole year 2008, which will correspond to a 1 % minus adjusted for inflation.

Forecasts for the coming year are very difficult to make right now, since the risk of recession in the USA and other important European countries is far from overcome. Despite of a rescue packet in the billions for the ailing Hypo Real Estate and government guarantees for private savers, the situation in Germany has not improved so far. The Dax suffered massive losses.

In the face of the current economic environment, LUDWIG BECK is particularly satisfied with the above-average positive development in the third quarter. Regarding the remaining months of 2008, LUDWIG BECK will exclusively rely on its own growth dynamics since the general market is not expected to support business or promote Christmas sales.

The company once again confirmed the projected results implying a 10 % EBIT increase to approximately € 8.0m.

LUDWIG BECK is presenting itself to its shareholders as a reliable asset even in constantly troubled times and, with exclusive mixed assortments and outstanding event highlights that are second to none in Germany, the company continues to entice customers into exploring ever new and exciting shopping worlds.

Financial dates for the coming fiscal year 2009 will be published under [www.ludwigbeck.de](http://www.ludwigbeck.de) as of December 2008. The company's next general meeting will be held on May 15, 2009.

Munich, in October 2008  
The Executive Board

## Appendix

### **Accounting in compliance with International Financial Reporting Standards (IFRS)**

The present quarterly accounts of the LUDWIG BECK AG group as of September 30, 2008 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, 2007. A comprehensive description of these methods is contained in the Appendix to the published IFRS group accounts as per December 31, 2007.

### **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, 2007, it has to be mentioned that LUDWIG BECK AG has paid back two short-term loans in the aggregate amount of € 2.5m to ATON GmbH, Fulda as scheduled.

All 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.

# Consolidated Income Statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–September 30, 2008, acc. to IASB

	Jan. 1, 2008 –Sept. 30, 2008		Jan. 1, 2007 –Sept. 30, 2007		Jul. 1, 2008 –Sept. 30, 2008		Jul. 1, 2007 –Sept. 30, 2007	
	€m		€m		€m		€m	
1. Sales revenues								
- sales (gross)	69.5		69.5		25.7		23.2	
- minus sales tax	11.1	58.4	11.1	58.4	4.1	21.6	3.7	19.5
2. Other operating income		2.5		2.0		0.8		0.9
		<b>60.9</b>		<b>60.4</b>		<b>22.4</b>		<b>20.4</b>
3. Cost of materials	30.5		31.1		11.3		10.4	
4. Personnel expenses	12.6		12.8		4.3		4.3	
5. Depreciation	2.8		2.6		1.0		0.9	
6. Other operating expenses	11.8	57.8	12.0	58.5	4.0	20.6	4.0	19.6
<b>7. EBIT</b>		<b>3.1</b>		<b>1.9</b>		<b>1.8</b>		<b>0.8</b>
8. Financial result of which financing expenses € 2.3m (previous year: € 2.5m)		-2.2		-2.5		-0.8		-0.8
<b>9. EBT</b>		<b>0.8</b>		<b>-0.6</b>		<b>1.0</b>		<b>0.0</b>
10. Deferred taxes		0.3		-1.1		0.4		-0.8
<b>11. Net profit</b>		<b>0.5</b>		<b>0.5</b>		<b>0.6</b>		<b>0.8</b>
12. Minority interests		0.4		0.3		0.1		0.1
<b>13. Net profit after minority interests</b>		<b>0.1</b>		<b>0.2</b>		<b>0.5</b>		<b>0.7</b>
Earnings per share (undiluted and diluted) in €		0.02		0.06		0.13		0.20
Average number of outstanding shares in million		3.70		3.36		3.70		3.36

## Consolidated Segment Reporting

Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–September 30, 2008, acc. to IASB

	Multi-label	Mono-label	Group
	€m	€m	€m
<b>Jan. 1, 2008–Sept. 30, 2008</b>			
Non-group sales (net)	54.4	3.9	58.4
<b>Segment result (EBIT)</b>	<b>2.9</b>	<b>0.2</b>	<b>3.1</b>
<b>Quarter Jul. 1, 2008–Sept. 30, 2008</b>			
Non-group sales (net)	20.1	1.4	21.6
<b>Segment result (EBIT)</b>	<b>1.7</b>	<b>0.1</b>	<b>1.8</b>
<b>Jan. 1, 2007–Sept. 30, 2007</b>			
Non-group sales (net)	54.3	4.1	58.4
<b>Segment result (EBIT)</b>	<b>1.5</b>	<b>0.4</b>	<b>1.9</b>
<b>Quarter Jul. 1, 2007–Sept. 30, 2007</b>			
Non-group sales (net)	18.1	1.4	19.5
<b>Segment result (EBIT)</b>	<b>0.7</b>	<b>0.2</b>	<b>0.8</b>

# Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich,  
as at September 30, 2008, acc. to IASB

Assets	Sept. 30, 2008	Dec. 31, 2007	Sept. 30, 2007
	€m	€m	€m
<b>A. Long-term assets</b>			
I. Intangible assets	3.3	3.3	3.4
II. Property, plant and equipment	90.5	88.9	89.0
III. Deferred taxes	2.1	2.2	3.3
IV. Other assets	0.2	0.2	0.2
	<b>96.0</b>	<b>94.6</b>	<b>95.9</b>
<b>B. Short-term assets</b>			
I. Inventories	12.8	9.1	13.2
II. Receivables and other assets	1.4	2.0	2.1
III. Cash and cash equivalents	1.1	1.7	0.8
	<b>15.3</b>	<b>12.8</b>	<b>16.1</b>
	<b>111.3</b>	<b>107.4</b>	<b>112.0</b>
<b>Shareholders' equity and liabilities</b>	<b>Sept. 30, 2008</b>	<b>Dec. 31, 2007</b>	<b>Sept. 30, 2007</b>
	€m	€m	€m
<b>A. Shareholders' equity</b>			
I. Subscribed capital	9.4	9.4	8.6
II. Reserves	14.1	14.0	9.3
III. Net income	0.0	1.2	0.0
IV. Supplementary item from minority interests	15.6	15.6	15.4
	<b>39.1</b>	<b>40.2</b>	<b>33.3</b>
<b>B. Potential compensation claim by minority shareholders</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>
<b>C. Long-term liabilities</b>			
I. Liabilities to banks	38.5	36.2	37.5
II. Accruals	0.6	0.5	1.0
III. Other liabilities	4.1	4.3	5.8
IV. Deferred tax liabilities	2.7	2.7	2.6
	<b>45.8</b>	<b>43.7</b>	<b>47.0</b>
<b>D. Short-term liabilities</b>			
I. Liabilities to banks	11.2	3.1	13.1
II. Trade liabilities	2.2	1.9	2.6
III. Tax liabilities	0.1	0.6	0.2
IV. Other liabilities	4.2	9.1	6.9
	<b>17.6</b>	<b>14.7</b>	<b>22.8</b>
	<b>111.3</b>	<b>107.4</b>	<b>112.0</b>

# Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–September 30, 2008, acc. to IASB

	Jan. 1, 2008 –Sept. 30, 2008	Jan. 1, 2007 –Sept. 30, 2007
	€m	€m
<b>Cash flow from operating activities:</b>		
Net profit/loss before minority interests, taxes and extraordinary items	0.8	-0.6
Adjustments for:		
+ depreciation of fixed assets	2.8	2.6
+ interest expenses	2.2	2.5
<b>Operating result before changes to net working capital</b>	<b>5.9</b>	<b>4.5</b>
Increase/decrease (-/+) in assets	-3.3	-4.3
Increase/decrease (+/-) in liabilities	-1.0	0.9
<b>Net cash from operating activities (before interest payments)</b>	<b>1.5</b>	<b>1.0</b>
Interest paid	-2.1	-2.5
<b>Net cash from operating activities</b>	<b>-0.6</b>	<b>-1.4</b>
Disbursements for additions to fixed assets	-4.3	-4.4
<b>Net cash used in investing activities</b>	<b>-4.3</b>	<b>-4.4</b>
Disbursements to minority interests	-0.5	-0.4
Dividend payment	-1.1	-0.7
Acceptance/repayment of bank liabilities	10.3	5.2
Acceptance/repayment of other net interest-bearing liabilities	-4.0	2.1
Acceptance/repayment of other long-term borrowing (finance leasing)	-0.4	-0.4
<b>Net cash from financing activities</b>	<b>4.3</b>	<b>5.9</b>
Change in cash and cash equivalents	-0.6	0.1
Cash and cash equivalents at beginning of period	1.7	0.8
<b>Cash and cash equivalents at end of period</b>	<b>1.1</b>	<b>0.8</b>

# Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–September 30, 2008, acc. to IASB

	Share capital	Capital reserve	Generated capital	Supplementary item from minority interests	Total
	€m	€m	€m	€m	€m
<b>Balance as of Jan. 1, 2008</b>	9.4	3.5	11.7	15.6	40.2
Net profit after minority interests			0.1		0.1
Dividend payment			-1.1		-1.1
<b>Balance as of Sept. 30, 2008</b>	<b>9.4</b>	<b>3.5</b>	<b>10.7</b>	<b>15.6</b>	<b>39.1</b>
<b>Balance as of Jan. 01, 2007</b>	8.6	0.0	9.8	15.4	33.8
Net profit after minority interests			0.2		0.2
Dividend payment			-0.7		-0.7
<b>Balance as of Sept. 30, 2007</b>	<b>8.6</b>	<b>0.0</b>	<b>9.3</b>	<b>15.4</b>	<b>33.3</b>