Style Has a New Home

Annual Report 2008

LUDWIG BECK

Ludwig Beck

LUDWIG BECK Annual Report 2008

LUDWIG BECK am Rathauseck –
Textilhaus Feldmeier AG
Marienplatz 11
80331 Munich
www.ludwigbeck.com

Contents

LUDWIG BECK

Annual Report 2008


LUDWIG BECK
LUDWIG BECK
LUDWIG BECK
LUDWIG BECK


NEUE KOLLEKTION
NEUE KOLLEKTION
NEUE KOLLEKTION
NEUE KOLLEKTION


Komponisten
Komponisten

1. LUDWIG BECK at a Glance

1. LUDWIG BECK AT A GLANCE

Highlights of the Year

+++ Re-opening of the Marienplatz store's music department – Unique music selection in a fine ambience +++

+++ Positive sales developments even in times of crisis – Gross sales up 1.8 % (branch-adjusted) +++

+++ Costs once again reduced – expense ratio falls 0.3 % to 38.6 % +++

+++ Stable profit development – annual profits at € 2.7m slightly above previous year's € 2.6m +++

+++ LUDWIG BECK shares outperform the DAX and sector +++

+++ Acquisition of a property at Haar near Munich on which the Group's logistics centre is located – Founding of LUDWIG BECK Grundbesitz Haar GmbH +++

+++ Continuation of shareholder-friendly dividend policy even in tough times +++






Review of the Year

1st quarter

+ The new advertising campaign for Spring/Summer 2008 is launched with new concept. The campaign which carries the slogan **"Style has a new home"** accentuates the "Store of the Sense's" diverse product world.
+ Trends magazine **"LUDWIG"** picks up the new concept, bearing the motto slogan "Style has a new home", and shows the latest colorful summer trends.
+ LUDWIG BECK presents the 2007 Annual Report at the **Press Conference on March 14, 2008**. Gross sales in 2007 increased to € 103.5m, up 2.1 % on the previous year. Sales even increased by 3.2 % on comparable area. Earnings before interest and taxes (EBIT) rose by € 0.4m to € 7.2m. Thanks to its shareholder-friendly dividends policy, the group again shared its commercial success with its shareholders and announced a 50 % increase in the dividend to € 0.30.
+ **As of March 31, 2008** the group earned gross sales of € 21.6m – representing a slump of 3.9 % on comparable area. **EBIT** for the first quarter was at the € 0.2m level, which is the same as the previous year.

2nd quarter

+ In a cooperation with the VOGUE editorial team, LUDWIG BECK introduced its cosmetic department HAUTNAH through a classy **VOGUE Beauty Special** supplement to the nation at large.
+ The **General Meeting on May 9, 2008** approved the Executive Board's and Supervisory Board's increased dividend payment proposal with a large majority. The period of office of the shareholders' members of the Supervisory Board ended with the 2008 General Meeting. Dr. Lutz Helmig and Mr. Gerhard Wöhrl were re-elected as shareholders' representatives, while Mr. Christian Greiner joined the Supervisory Board for the first time.
+ The grand re-opening of the LUDWIG BECK's **extended music department** was celebrated on May 15 on the 5th floor. A sophisticated ambience flushed by an innovative lighting concept is home to a globally unique selection of classical, jazz and world music spread over 1,000 sqm.
+ After March's drastic slump, the **black mood** in the clothing sector is not yet over. LUDWIG BECK is not alone in recording a downturn in gross sales on comparable area: 2.9 % down to € 43.8m. Nevertheless, **EBIT** was up by 23.0 % on the previous year at € 1.3m.

3rd quarter

+ The newly opened special offer area on the 4th floor offers a home to ever changing promotions, seasonal collections and more. The beat is set by the first Pop-Up-Store of the trends show **TheRedFlag**.
+ The **Autumn/Winter 2008/09** advertising campaign kicks off, continuing the "Style has a new home" concept with an autumnal feel.
+ The magazine **"LUDWIG"**, presents the new Autumn/Winter 2008/09 trends. This issue puts men centre stage, focusing on the men's fashion and cosmetics for men.
+ The winter **VOGUE Beauty Special** is hot off the press. With VOGUE LUDWIG BECK luxuriously and professionally positions its HAUTNAH cosmetics department over 20 glossy pages for a second issue of the high class supplement.
+ Further optimization of the branch concept sees the mono-label s.Oliver branch at the Regensburg-Arcaden close at the end of September.
+ Despite the sharpening financial crisis and all-round poor consumer mood, LUDWIG BECK closes the first nine months of 2008 with an **increase in sales**, with gross sales at € 69.5m. Adjusting this figure to take into account the month's store closure in December 2007, this represents an increase of 2.4 %. In the 3rd quarter of 2008 LUDWIG BECK clearly ups its branch-adjusted sales by 13.3 %. The group's EBIT rises 62.2 % from € 1.9m to € 3.1m.

4th quarter

+ LUDWIG BECK is awarded the **ECHO Classic Special Prize**. As part of the ECHO Classic Awards at the Munich Philharmonic, LUDWIG BECK receives the special prize for "the creation of an outstanding and modern presentation of classical music" in its newly extended department.
+ The **Christmas Market** on the 4th floor of the "Store of the Senses" bestows advent's magic from mid October on LUDWIG BECK's customers. This is where you'll find stylish Christmas decorations which would have any home sparkle with a very special glamour.
+ Starting October 31, LUDWIG BECK gives its sensual "Lessons in Lingerie". Premium lifestyle label **Agent Provocateur** opens its first Munich store – the store is one of Agent Provocateur's largest in the world, and the only one in Germany carrying the full range from the English cult brand.
+ On December 29, LUDWIG BECK acquires the 8,000 sqm site in Haar near Munich on which the company's logistics centre is found.
+ In this difficult year for the textile retail trade, LUDWIG BECK increases gross sales (branch-adjusted) by € 1.9m to € 102.6m (previous year: € 100.7m), representing an increase of 1.8 %. Sector records a decrease of 4 %.

Group Structure

LUDWIG BECK AG

LUDWIG BECK flagship store	LUDWIG BECK stores	LUDWIG BECK mono-labels	LUDWIG BECK warehouse outlets
LUDWIG BECK "Store of the Senses" Munich	LUDWIG BECK at the Riem-Arcaden Munich	ESPRIT at the OEZ Munich	LUDWIG BECK fashion outlet Parsdorf/Munich
LUDWIG BECK HAUTNAH at the FÜNF HÖFE Munich	LUDWIG BECK at the City-Galerie Augsburg	s.Oliver Regensburg	
	LUDWIG BECK at the City-Centre Landshut	s.Oliver at the Regensburg-Arcaden (sold as of September 30, 2008)	

100 %

LUDWIG BECK Beteiligungs GmbH

50.1 %	50.2 %	100 %
Feldmeier GmbH & Co. Betriebs KG	LUDWIG BECK Verwaltungs GmbH	heptus 122. GmbH (future name: LUDWIG BECK Grundbesitz Haar GmbH)

As of December 31, 2008

Key Figures of the Group

Key figures of the group		2008	2007	2006	2005	2004
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	102.6	103.5	101.3	101.7	100.5
VAT	€m	16.4	16.5	14.0	14.0	13.8
Net sales	€m	86.2	87.0	87.4	87.7	86.7
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	41.4	41.0	41.3	41.0	40.2
	%	48.0	47.1	47.3	46.7	46.4
Earnings before interest, taxes, depreciation &	€m	12.2	11.0	10.2	9.6	7.2
amortization (EBITDA)	%	14.2	12.6	11.7	10.9	8.3
Earnings before interest & taxes (EBIT)	€m	8.1	7.2	6.8	5.9	3.4
	%	9.4	8.2	7.7	6.6	3.9
Earnings before taxes (EBT)	€m	4.4	3.1	2.5	1.3	-1.2
	%	5.2	3.6	2.9	1.4	-1.4
Net profit/loss (-)	€m	2.7	2.6	1.4	0.7	-0.7
	%	3.1	3.0	1.6	0.8	-0.8
Balance Sheet						
Equity	€m	41.8	40.2	33.8	32.8	32.2
Equity ratio	%	37.0	37.4	31.8	30.3	28.6
Return on equity (before taxes)	%	10.6	7,7	7,5	3,8	-5,5
Investments	€m	8.6	5.8	2.5	1.6	4.7
Balance sheet total	€m	112.9	107.4	106.5	108.1	112.7
Personnel						
Employees	persons	538	544	543	540	587
Personnel expenses	€m	16.9	17.2	17.4	17.5	18.6
	%	19.7	19.7	20.0	20.0	21.5
Sales per employee (weighted average)	€k	226.3	223.6	224.6	218.6	217.0
Per Share						
Number of shares (average)	m	3.70	3.39	3.36	3.36	3.36
Earnings per share undiluted and diluted	€	0.73	0.76	0.42	0.20	-0.22
Dividend	€	0.30	0.30	0.20	0.10	0.00
Other Details (as of Dec. 31)						
Sales area	sqm	16,669	16,428	17,709	17,867	21,520
Gross sales per square meter	€/sqm	6,154	6,299	5,723	5,693	4,670

2. To Our Shareholders

2. TO OUR SHAREHOLDERS

Oliver Haller, member of the Executive Board of LUDWIG BECK AG. Oliver Haller's career in retail started in 1996 as a buyer at E. Breuninger GmbH & Co. where he subsequently rose to the position of Creative Director, also responsible for business communications and strategic orientation. As a qualified business economist (University of Applied Sciences), Mr. Haller joined LUDWIG BECK AG as Chief Operating Officer with responsibility for Purchasing, Sales and Marketing in 2007. He shares team-leadership of the group with Dieter Münch.

Dieter Münch, member of the Executive Board of LUDWIG BECK AG. Dieter Münch first crossed paths with the company during his studies in Business Administration at the Munich University of Applied Sciences when he undertook an internship. Fascinated by the "magic of numbers" and the chance to navigate complex processes in a well structured organization, he started his career in controlling in LUDWIG BECK AG after graduating as a qualified business economist (University of Applied Sciences) in 1980. After several positions in the company he was called to the Executive Board in April 1998. As Chief Financial Officer he has been responsible for Finance, Investor Relations und Personnel since May 1999.

PICTURE ABOVE

The Executive Board of LUDWIG BECK AG: Oliver Haller and Dieter Münch.

Directors´ Dialogue

2008 – Looking back on a glamorous year

LUDWIG BECK directors Dieter Münch and Oliver Haller in conversation about successful sales despite a financial crisis, a new marketing platform and the year in which the renovations to the Marienplatz store made their perfect finish.

Mr. Münch, Mr. Haller, 2008 was marked by turbulent developments on the financial markets which affected the whole economy. How was LUDWIG BECK's year?

Dieter Münch: The big topic was and remains without a doubt, the worldwide financial crisis. Fears of recession are here. Many customers who had just enjoyed a period of upswing, and had accordingly acted out their buying wishes, are unsure about the future. But we can nevertheless look back with great satisfaction on the past year.

Oliver Haller: Although it was certainly no easy start to the year! True, we could initially continue the positive developments of the previous fiscal year, but in March the winter came back and surprised us all with lots of snow and ice, meaning we had to record a drop in sales for the first quarter.

How did the rest of the year develop?

Dieter Münch: Our own growth dynamic quickly brought the LUDWIG BECK group back on track. In fact in the 3rd quarter we could even up branch-adjusted sales – against the sector trend – by a remarkable 13.3 % in comparison with the previous year's figures.

Oliver Haller: We can thank our ongoing "trading up" strategy for this. It simply goes from strength to strength and sets us apart from the rest of the sector. This year we once again focused on creating new, individual and exclusive worlds of shopping, and part of this was the responsibility to exert a constantly optimizing influence on business in our branches.

What do measures such as these look like?

Oliver Haller: Part of this optimization in 2008 was the closure of our s.Oliver mono-label store at the Regensburg-Arcaden. The greater business success in the group's other areas of business stood behind this decision.

Dieter Münch: That's how LUDWIG BECK succeeded in 2008 in raising sales, in a year in which the rest of the German textiles retail suffered a downturn of up to 4 %. Branch adjusted gross sales raised € 1.9m to € 102.6m – that's an increase of 1.8 %. And the consolidated profit was with € 2.7m slightly higher than the previous year (€ 2.6m).

The biggest ever renovations to the Marienplatz store continued in 2008. How did this impact business results. What's new?

Oliver Haller: The fact that our building activities did not impact negatively on the annual results makes us even more proud of them. The new 5th floor housing the music department rounds off the works and completes the new face of LUDWIG BECK. We can now say, the design of our Marienplatz store – the heart of the group – is now a good step closer to our vision.

Dieter Münch: ... that is, giving style a new home. The newly renovated music department was promptly rewarded with the ECHO Classic Special Prize – a nice confirmation of our commitment – alongside the already impressive fact that this department is responsible for approx. 1 % of the world's classic sales.

PICTURE ABOVE

The new music department, an almost proverbial "eye-catcher" that was awarded the ECHO Classic Special Prize.

PICTURE ABOVE

As extravagant, atmospheric and elaborate as a filmset: Display window presentation of winter fashions by LUDWIG BECK.

Parallel to the new architectural face of the building, LUDWIG BECK has also repositioned itself in its publicity. What's the connection with the new advertising campaign and what is its message?

Oliver Haller: LUDWIG BECK's new slogan is "Style has a new home". This is signaled to customers from Munich and the world at large through our image, our promotions and market communication. The new style of our advertising may present LUDWIG BECK in a slightly less dreamy or playful to our customers as in the past – showing on the other hand more self confidence, radiating sovereignty and expertise both visually and verbally – all this light, easy going and sensual as our brand is perceived by the wider public.

Dieter Münch: With this the "Store of the Senses" has taken up the mantle of style leadership – another striking facet of our "trading up" trend.

This catchword "trading up": What does it mean to LUDWIG BECK?

Dieter Münch: For some five years now we have set ourselves on the path of an ongoing upgrading of our product range. Part of that means, that we are constantly reviewing and updating our range of labels with attractive fresh names, and once in a while removing a label from our selection. In addition we offer our discerning customers exclusive shop-in-shop opportunities like the Porsche Design Shop or Agent Provocateur – a unique shopping experience in Munich.

Oliver Haller: The recent crowning of the "trading up" process was of course the renovation of our flagship store at Marienplatz which now has a much more sophisticated, lighter and more spacious feeling, and the new opening of our renowned music department.

So there's been something of an evolution in outward appearances?

Dieter Münch: Absolutely! We have reached a new level of maturity, which perfectly suits our range of premium labels.

Oliver Haller: A cautious change and a new quality can also be seen in our promotions. Until now we've had a firm structure for the year offering customers seasonal highlights. In 2008 we had a change of mindset to refine this much-loved pattern in that we respond very flexibly to current themes, attracting attentions with surprising promotions.

Can you give us some examples?

Oliver Haller: There was the opening of the premium British label Agent Provocateur boutique next to the HAUTNAH department in the Marienplatz store. Sophisticated lingerie with the cult factor – an excellent match for our selected brand range. Agent Provocateur is exclusively available in Munich at LUDWIG BECK.

Dieter Münch: Another idea which we are really excited about is Personal Shopping. Not just for VIPs, a professional style advisor prepares insightful styling suggestions for stressed customers and gives recommendations for a personal look. That takes us further into the realm of individualizing the shopping experience, unlocking our huge expertise.

Is this approach also comprehensible to investors?

Dieter Münch: Our investors have as ever remained true to us – something we naturally want to honor fittingly. Our recommendation to the General Meeting in May of an increase in the dividend to € 0.30 per share was supported. We want to continue with this shareholder-friendly policy and will therefore propose to the coming General Meeting, despite the topic "financial crisis", on May 15, 2009 that the dividend be maintained, because LUDWIG BECK shareholders should also be able to enjoy the company's success.

Oliver Haller: We are better positioned than ever before. Despite the black mood and market slump we were fully able to achieve our forecast targets (increase of EBIT by 10 %) for the completed fiscal year.

Would you venture a forecast for 2009? How do things look?

Oliver Haller: Of course, faced with the insecure economic situation many customers are increasingly restrained. The damper that's been put on the consumer mood is being felt by almost all of our competitors. Even in 2008 the effect wasn't to miss, and our sector is now showing a trend towards market adjustment.

Dieter Münch: Just recently three big department stores (Wehmeyer, Hertie und SinnLeffers) announced bankruptcy. 2009 is sure to deliver further challenges to the retail sector. Nevertheless, we aim to continue to outpace the branch as a whole.

Is there anything, especially in these tense economic times, that gives LUDWIG BECK strength?

Oliver Haller: Those businesses which lack individuality are going to have it very hard. Emotional factors will be ever more important. The LUDWIG BECK brand stands for quality, tradition and authenticity – and our customers certainly recognize and appreciate this.

Dieter Münch: We've been a solid institution for Munich and the region for almost 150 years, Munich's Marienplatz would be unimaginable without us. We have already experienced various ups and downs in our history but have always successfully responded to our customers, thanks to our unique concept that activates the senses and creates an incomparable shopping experience. We will continue to tread this path in the future.

A word of thanks to our employees

We would like to take this opportunity to thank all our employees for their huge commitment and loyalty to LUDWIG BECK. Without their application and support and amazing motivation our business success in 2008 would not have been possible. We thank in addition our workers' committee for their mediation between management and employees, which has helped maintain once again an exceptional working environment.

Supervisory Board´s Report

The 2008 fiscal year saw the Supervisory Board intensively involved in the group's development during the reporting year and its strategic orientation for the coming year. A total of six meetings took place over the year during which the Supervisory Board together with the Executive Board discussed questions of business planning, group politics, the course of business, the risk position and risk management both for the main store as well as the subsidiaries. The Supervisory Board supported and monitored the Executive Board in its work.

The monitoring role included the following areas in particular:

+ The demand for and checking of monthly reports over the fundamental questions of business planning (in particular finance, investment and personnel planning), the gearing of the businesses (in particular sales and the group's position) as well as dealings which could be of substantial importance for the profitability or liquidity of the group. (cf. Section 90 Para. 1 AktG);
+ Questioning of the business management in respect of presented reports, current developments and upcoming decisions;
+ Various talks between the Chairman of the Supervisory Board and members of the Executive Board and follow-up with the business management regarding current developments and upcoming decisions;
+ Inspection of the Executive Board's annual report, annual consolidated financial statement, status report, consolidated management report, the Executive Board's proposals concerning the of the profit and the Executive Board's explanatory notes according to Sec. 289 par. 4, 315 par. 4 HGB (German Commercial Code) as well as necessary clarifications with members of the Executive Board.

The Supervisory Board was involved in all significant strategic business decisions which and discussed these in detail, verified them and, when needed, approved them. The Executive Board fully fulfilled at all times its duties to inform in a timely manner. In particular, no additional or supplementary reports were required from the Executive Board. The Supervisory Board was able through its monitoring function to assure itself of the legitimacy and compliance of the business management through the Executive Board. The Supervisory Board discussed group organization with the Executive Board and was thus convinced of its efficiency.

The Supervisory Board concerned itself in 2008 with economic issues including the strengthening of earning power and the remediation of possible sources of loss as well as group-wide risk management and compliance regulations. Incidentally, the Executive Board presented the Supervisory Board all provisions and legal transactions requiring the Supervisory Board's approval. The Supervisory Board approved these provisions and legal transactions.

Six meetings in 2008

Members of the Executive Board also regularly attended the six appointed Supervisory Board meeting days in 2008, on March 14, May 9, July 15, September 18, October 8 and November 14. The group's auditor also took part in the accounts review meeting according to Section 171 para. 1 AktG on March 14. The Chairman of the Supervisory Board was also in regular contact with members of the Executive Board and was kept abreast of current business developments outside the meeting schedule.

The debates in the Supervisory Board essentially comprised with ongoing business developments, business strategy and its implementation in the group and its subsidiaries. Topics of intensive consideration in the past year included in particular the renovations at the Marienplatz store, consequences of the financial crisis for the group, current business development in another tough year for German retail, necessary strategic and operative issues and the further development of the Marienplatz store and individual branches. The associated investments, middle and long term business planning and financing were debated often and comprehensively.

Election of the new Supervisory Board

The period of office of the former shareholders' members of the Supervisory Board ended with the 2008 General Meeting, namely Dr. Eva Annett Grigoleit as well as Dr. Joachim Hausser, Dr. Lutz Helmig and Mr. Gerhard Wöhrl. Dr. Grigoleit did not stand for re-election. Supporting the proposals of the Supervisory Board the General Meeting re-elected Dr. Joachim Hausser, Dr. Lutz Helmig, Mr. Gerhard Wöhrl and elected Mr. Christian Greiner for the first time as shareholder representatives to the Supervisory Board. Mr. Hans Rudolf Wöhrl was elected as substitute member. Ms. Felicitas Uhl and Ms. Gabriele Keitel were elected as employee representatives from the workforce on April 18, 2008. Dr. Joachim Hausser was re-elected to the post of Chairman of the Supervisory Board in their constituent Supervisory Board meeting of May 9, 2008. In the same meeting Mr. Gerhard Wöhrl was elected to the position of Vice-Chairman.

Audit committee

Up to the end of the General Meeting on May 9, 2008, the audit committee comprised Dr. Eva Annett Grigoleit (Chair), Dr. Joachim Hausser and Dr. Lutz Helmig. The committee met in tele-conference on March 5, 2008 to discuss the group's 2007 annual financial statements and management report, as well as the LUDWIG BECK AG annual financial statements and management report. The completion of the General Meeting on May 9, 2008 saw the end of the shareholders members of the Supervisory Board's period of office. After the General Meeting a new audit committee was formed, comprising of Mr. Christian Greiner (Chairman), Dr. Joachim Hausser und Dr. Lutz Helmig. The committee met in the 2008 fiscal year on May 9, 2008 after the General Meeting in order to elect its new chairman. In addition the Audit Committee decided on the recommendation to the Supervisory Board of Munich auditors AWT Horwath GmbH for the annual audit commission via a circulation procedure.

Personnel and Management Committee

Up until the group's General Meeting on May 9, 2008, the Personnel and Management Committee comprised Dr. Joachim Hausser (Chairman), Dr. Eva Annett Grigoleit and Mr. Gerhard Wöhrl. On completion of the 2008 General Meeting on May 9, 2008 – at which time the period of office of the shareholders members of the Supervisory Board ended – the Personnel and Management Committee newly reconstituted itself. Since then Dr. Joachim Hausser as Chairman as well as Dr. Lutz Helmig and Mr. Gerhard Wöhrl are part of it. The committee met on November 14, 2008 after the Supervisory Board meeting.

German Corporate Governance Code

The Supervisory Board dealt at length with the standards of good and responsible governance as laid down in the German Corporate Governance Code. In accordance with the code's recommendations, the chair of the Supervisory Board's audit committee obtained a statement from the auditor on February 27, 2008 which confirmed that no business, financial, personal or other relationship existed between the auditor and the company that could call the auditor's independence into question (statement of independence). It also included the extent of other consulting services performed for the enterprise in the lapsed financial year. The Supervisory Board decided on November 14, 2008 to update the declaration of conformity pursuant to Section 161 AktG.

Annual financial statements and consolidated financial statements

The annual financial statements and the consolidated financial statements as per December 31, 2007, the management report and the consolidated management report including accounting have been audited by the elected auditor AWT Horwath GmbH, Munich who issued an unqualified auditor's opinion. All documents relating to the financial statements and audit reports were submitted to the all members of the Supervisory Board in due time before their balance sheet meeting on March 11, 2009 and have been carefully reviewed by them. These documents were discussed in detail by the audit committee and the entire Supervisory Board in the presence of the auditor. The Supervisory Board could assure itself that the auditor's report complies with the statutory requirements. The Supervisory Board therefore approved the results of the auditor's review in its meeting of March 11, 2009. The Supervisory Board has verified the annual financial statements, the consolidated financial statements, the management report, the consolidated management report as well as the Executive Board's recommendation on the use of the balance sheet profit – after thorough review of the accounts at the beginning of the meeting. The statements contained in the management report and the consolidated management report are consistent with the assessment of the Supervisory Board. The review of the Executive Board's proposal on the use of balance sheet profit also extended to financial and investment planning and the liquidity of the company. Having considered the interests of the company and the shareholders, no objections were raised to the Executive Board's proposal for the use of balance sheet profit.

According to the conclusive results of the Supervisory Board's own analyses no objections were raised regarding the annual financial statements, the management report, the consolidated management report and the Executive Board's proposal for the use of balance sheet profit. The Supervisory Board approved and adopted by resolution from March 11, 2009 the annual financial statements by the LUDWIG BECK AG Executive Board. It also approved the consolidated financial statements and adopted the Executive Board's proposal for the use of balance sheet profit.

Personal thanks

The Supervisory Board would like to thank the Executive Board and the company's executives as well as the employees' representatives for their enormous personal dedication, loyalty and successful work in the 2008 fiscal year. We would also like to express our thanks to Dr. Eva Annett Grigoleit and Ms. Eva-Maria Stähle, who both resigned from the Supervisory Board last year, for their commitment, their support and their pleasant and successful cooperation of the past years. A special thank goes also to all our employees for their efforts, their loyalty and creativity they brought in 2008 in order to develop LUDWIG BECK into the company that it is today. They are the columns of our success and will remain forevermore one of the most important success factors of our unique fashion group.

Munich, March 2009

Dr. Joachim Hausser
Chairman of the Supervisory Board

Corporate Governance

The term Corporate Governance stands for a company's responsible management and control structure aimed at sustained value creation. LUDWIG BECK feels committed to embrace these values and has since April 2003 complied with the recommendations of the German Corporate Governance Code (2002) without significant modifications.

Declaration of conformity

The Executive Board and Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare in accordance with Section 161 AktG that they have since their last declaration of conformity on November 19th 2007 complied with and will continue to conform to the recommendations of the German Corporate Governance Code as amended on June 6, 2008 – made public by the German Ministry of Justice in the official part of the electronic Federal Gazette – with the following exceptions:

1. The Executive Board of the company has no Chairman or spokesman (Code Clause 4.2.1 sentence 1). The Supervisory Board holds the opinion that this best reflects the equitable, reliable and close cooperation of the two members of the Executive Board.

2. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3). The Supervisory Board is of the opinion that election proposals to the General Meeting for members of the Supervisory Board should be made at a plenary sitting of this manageable six-member body.

3. Half-yearly and quarterly financial reports are not discussed by the Supervisory Board or its audit committee with the Executive Board before publication. The Supervisory Board and Executive Board are in constant close touch as a result of monthly reporting. A separate discussion before publication is therefore expendable.

Munich, November 14, 2008

The Executive Board:
signed Dieter Münch,
signed Oliver Haller

The Supervisory Board:
signed Dr. Joachim Hausser
signed Dr. Lutz Helmig
signed Gerhard Wöhrl
signed Christian Greiner
signed Gabriele Keitel
signed Felicitas Uhl

Shareholders and General Meeting

In the reporting year, LUDWIG BECK fully complied with the Corporate Governance Code recommendation that the Chairman of the General Meeting shall provide for its expedient running and that it should take no more than 4 to 6 hours to complete. For the sake of efficiency the company will always strive to comply with this recommendation in future events.

Nearly 600 shareholders, bank representatives, journalists and guests attended the General Meeting and 2,781,757 votes, i.e. 75.28 % of the share capital was represented. The shareholders could access, inspect and download all information and documents relating to the General Meeting from LUDWIG BECK's internet site. The presentation and voting results were also made available on the internet at **www.ludwigbeck.de** immediately after the

General Meeting. For cost-benefit reasons LUDWIG BECK did not follow the Corporate Governance Code's recommendation of transmitting the General Meeting over the internet.

More details on the General Meeting, the agenda items and voting results can be found in the "Share" section under General Meeting from page 31.

Cooperation between Executive Board and Supervisory Board

A major feature of the Corporate Governance of German stock corporations is the separation between management on the one hand and supervision on the other. Tasks and responsibilities are clearly split between the Executive Board and the Supervisory Board.

The Executive Board informs the Supervisory Board promptly, regularly and comprehensively of all developments and events important to the business development of the LUDWIG BECK group. In the year under review the Executive Board and Supervisory Board worked closely and trustfully together. Good Corporate Governance will continue to stand at the focus of the work of the Executive Board and Supervisory Board. LUDWIG BECK will continue to orient itself to and implement the recommendations of German Corporate Governance Code.

The Executive Board and Supervisory Board will continue to work together closely in the current fiscal year, attending to all important business transactions together.

The Executive Board and Supervisory Board compensation system remained unchanged in 2008. The compensation comprises four components: A fixed allowance, a management bonus (variable remuneration), fringe benefits and pension commitments. The detailed remuneration report for 2008, prepared by the Executive Board and Supervisory Board in the scope of the Corporate Governance report can be found in the "Remuneration report" section of the consolidated management report from page 65.

The Executive Board's rules of procedure remained unchanged in 2008. There were no conflicts of interest. No member of the Executive Board held any supervisory board or similar position.

Transparency

The internet site **www.ludwigbeck.de** is an important source of information about share activity and the capital markets for LUDWIG BECK AG's shareholders and the general public. Alongside a wide spread of information about the LUDWIG BECK concern, LUDWIG BECK financial reports, ad hoc announcements and other publications according to the Securities Trading Act (WpHG). The dates of regular publications (business reports, quarterly and half-yearly accounts, the annual balance sheet press conference, meetings with analysts and General Meeting) are made known with the proper notice on the website's financial calendar. Shareholders and other interested readers also have access to relevant presentations, figures, notifiable procedures, the company's Corporate Governance and can also subscribe to the electronic investors newsletter.

In the completed fiscal year LUDWIG BECK AG made two ad-hoc announcements in order comply with legal requirements to inform all shareholders in a timely fashion without delay.

Directors´ Dealings

Directors´ Dealings in the 2008 fiscal year.

Directors´ Dealings						
Name	**Function**	**Transaction date**	**Type**	**No. of shares**	**Share price**	**Value**
Dieter Münch	Managerial Body	March 27, 2008	Sale	8,608	12.54 €	107,944.32 €
Rudolf Wöhrl AG	Administrative or Supervisory Body	March 27, 2008	Purchase	8,608	12.59 €	108,374.72 €
Dieter Münch	Managerial Body	March 28, 2008	Sale	8,123	12.54 €	101,862.42 €
ATON GmbH	Administrative or Supervisory Body	March 28, 2008	Purchase	8,123	12.59 €	102,268.57 €
Rudolf Wöhrl AG	Administrative or Supervisory Body	March 28, 2008	Purchase	6,945	12.97 €	90,076.65 €
Dieter Münch	Managerial Body	November 3, 2008	Purchase	1,200	7.24 €	8,688.00 €

Ad-hoc announcements according to Section 15 WpHG

May 9, 2008 – Dividend announcement

March 14, 2008 – LUDWIG BECK submitted the 2007 Annual Report (according to IFRS/IAS) and announced the increase of the dividend by 50 %. Further yield increase expected in 2008.

Announcements regarding the acquisition or disposal of LUDWIG BECK AG voting rights according to Section 25 para. 1 and Section 21 para. 1 WpHG

No announcements regarding voting rights were published in the 2008 fiscal year.

Reporting and annual audit

LUDWIG BECK financial reporting is based on the International Financial Reporting Standards (IFRS) and fully complies with the requirements in Section 37w WpHG. The company thereby follows the recommendations of the German Corporate Governance Code, according to which shareholders and third parties should be kept informed through the Annual Report in particular, as well throughout the year by means of the half-year financial report, interim releases and quarterly financial reports.

The General Meeting approved the Supervisory Board's proposal and commissioned Munich auditors Horwath GmbH Wirtschaftsprüfungsgesellschaft, Munich as annual auditors for the 2008 fiscal year. The audit assignment was issued by the Supervisory Board. The Supervisory Board had obtained a declaration about personal and business relationships with the company from the auditors before their submission of vote proposal. There was no cause for concern.

Share

The 2008 stock exchange year

An annus horribilis for financial markets

2008 will go down in financial market history as the year the creeping crisis in the US property market grew to a Tsunami, swamping first the credit market, then the capital market until crashing into the economy as a whole with a punch unknown since the global economic crisis of the 1930s.

A series of black days on the markets as never seen before saw leading share indices tumble into the cellar. The year began with the unexpected depreciation of the Munich property financers Hypo Real Estate (HRE), which shocked the markets and saw share prices cave in by 35 %. At the same time, responding to market panic caused by fear of recession, the DAX (German Share Index) fell by 7 % in January 2008 – marking the biggest percentage drop since the attacks on September 11, 2001.

Dams broken by Lehman Brothers' bankruptcy

March saw the banking crisis reach a new high. Bear Stearns, the fifth largest US investment bank, was acquired by JP Morgan through a distress sale. Serving as a turning point in the financial crisis, the unexpected bankruptcy of the US investment bank Lehman Brothers on September 15 triggered the year's second big wave of selling. On the day of the Lehman bankruptcy the Dow Jones Index – the world's most important market barometer – fell by more than 500 points. The DAX also plummeted, losing 27 % between September 12 (the last day of business before the Lehman Brothers insolvency) and October 10, 2008.

Governments and central banks responded in historical proportions to the banking crisis and the fears of a credit crunch. Key interest rates were drastically sunk, recovery packages to the tune of hundreds of billions conceived and state guarantees to savers for their deposits approved.

DAX loses 40 %

End of year results on the markets were negative. On the last day of trading in 2007 the DAX stood at 8,067.32. A year later and the market barometer was swinging around the 4,800 points level – as such 40 % lower (4,810 points at year's end).

All the smaller German indices showed clear declines. On the last day of trade for 2008 the MDAX 5,602 points – 43 % below the former year's figure (9,865 points at year's end). The SDAX painted a similar picture finishing 2008 down 46 % on the previous year with 2,801 points (previous year: 5,192 points). The TecDAX was hit especially hard, almost halving in value: 975 points in 2007 were slashed to 508 at year's end 2008 – a minus of 48 %.

And European share markets didn't escape the huge losses: with year ending trading 2007 at 4,400 points, the definitive EuroStoxx50 ended 2008 with just 2,451 points – a loss of 44 %.

Prime Retail Index hard hit

The German Exchanges' Prime Retail Index – home to the 22 biggest German department stores (thus LUDWIG BECK AG's principal competition) – were even harder hit. It ended 2008 with 232.07 points, representing a year on year loss of 49 % (453.23 points at end of year 2007).

Dow Jones performs best

Paradoxically, the losses of Wall Street – the epicentre of the market-quake were less drastic. While the Nasdaq Composite ended 2008 42 % down with 1,577 points (2,652 points at end of year 2007), the Dow Jones Index performed fairly well in comparison, down 34 % at end of trading 2008 with 8,776 points (previous year: 13,265 points)

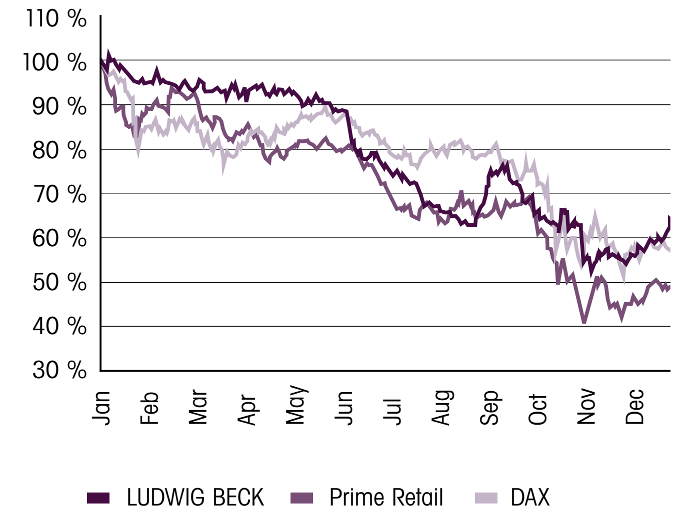
The LUDWIG BECK share

Share details	
ISIN	DE0005199905
WKN	519990
Ticker symbol	ECK
Branch	Retail
Accreditation segment	Prime Standard
Number of shares	3,695,000
Market capitalization	€ 33.8m
Stock exchanges	Frankfurt/M., Stuttgart, Munich, Düsseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price	€ 9.14
Year-high price	€ 13.65
Year-low price	€ 6.80
Designated Sponsor	VISCARDI AG

LUDWIG BECK shares, even in hard times better than the DAX and branch

The Prime Standard listed share ended the 2007 XETRA trade fiscal year with a share price of € 13.56 and recorded an end of year price of € 9.14 on December 30, 2008.

This represents a loss of 33 %, with which LUDWIG BECK in a crisis dominated market managed to outperform the DAX in 2008 which forfeited 40 % of its value over the year. In comparison to its main competitors, whose stock development (shown in the Prime Retail Index) suffered a 49 % reduction, LUDWIG BECK shares performed even better.



LUDWIG BECK share's highest price of € 13.65 was recorded on January 7, 2008, while the share sunk to its lowest value of € 6.80 on October 30, 2008. LUDWIG BECK shares' market capitalisation at year end 2008 comprised € 33.8m (previous year: € 50.1m).

Earnings per share

Earnings per share are calculated by dividing LUDWIG BECK group earnings by the average number of shares issued in the reporting year. The average number of shares (diluted and undiluted) amount to 3.695m (previous year: 3.388m). The consolidated net profit totaled € 2.7m in the 2008 fiscal year (previous year: € 2.6m). Thus earnings per share amounted to € 0.73 (previous year: € 0.76). This results in an end-of-year price-earnings ratio of 12.5 (previous year: 17.8).

Earnings per share		2008	2007
Consolidated net profit after minority interests	in €m	2.7	2.6
Average number of shares (diluted and undiluted)	in m	3.70	3.39
Earnings per share (diluted and undiluted)	in €	0.73	0.76

Dividend

In the past LUDWIG BECK AG has regularly shared its business success with its shareholders in the form of a paid dividend. The company wishes to continue with this policy, even if tougher economic conditions prevail. Therefore the Executive Board and Supervisory Board are proposing the payment of a dividend of € 0.30 per share to the General Meeting on May 15, 2009. The remaining profits will be deposited in revenue reserves. The shares' dividend yield is thus 2.2 %.

Dividend payments		2008	2007	2006
Dividend per share	in €	0.30	0.30	0.20
Dividend yield	in %	3.3	2.2	2.6
Total sum paid out	in €m	1.1	1.1	0.7

Shareholder structure

The shareholder structure for LUDWIG BECK shares is analysed annually. The research behind this comprises of a depository bank survey in which the sociological stratification of the shareholders is ascertained according to the parameters of the Federal Association of German Banks. As a rule, the results deliver an up to date reflection of the shareholder composition.

The study on behalf of LUDWIG BECK was carried out on September 30, 2008, based on 3.5m returns. This represents a participation level of around 95 %.

The composition of the shareholder structure is as follows:

As of the September 30, 2008 survey date, Rudolf Wöhrl AG was the largest single shareholder with 27.0 %. ATON GmbH had a 25.3 % holding in LUDWIG BECK. INTRO Verwaltungs GmbH held 10.0 % voting right and 37.7 % of the shares were owned by diverse shareholders.

Investment Highlights

The LUDWIG BECK share is an investment with an innovative growth strategy, a solid financial structure and share in the bricks and mortar of the original store at Munich's Marienplatz's top location.

Unique concept

LUDWIG BECK offers the capital market a unique business concept. The fashion group dazzles with an individual, high quality range of products presented in an elegant department store ambience with the service of a professional specialized dealer. These traits give the tradition-rich Munich store a clearly unique selling point in German retail.

Best location in Europe with above-average buying power

The group's principle asset is the original store at Munich's famous Marienplatz, one of the city's main attractions and one of Europe's most sought after retail locations. The store's 11,000 sqm welcomes some 20,000 to 40,000 visitors every day. They include LUDWIG BECK's target customers; 30 to 59 year olds with above-average incomes.

Employees that make the difference

Thanks to its highly committed employees, LUDWIG BECK is able to offer its customers an extraordinary and sensual shopping experience on a daily basis. The professional advice at specialized dealer level assists the individual orientation and strengthens feelings of a good purchase. Long years of service, a deep sense of loyalty and a close connection are the rule. And even when these qualities are not directly reflected in a business' balance sheet, they are among the most important components of LUDWIG BECK's success.

Additional sales and profit potential through "trading up", cost minimization and transfer of successful branding concepts

Additional sales potential through the replication of strong turnover and profitable branding concepts – for instance the HAUTNAH concept – is imaginable at other locations in Germany. This has already been implemented through the opening of a second HAUTNAH branch in Munich in 2003. The "trading up" strategy which the Marienplatz store management has consistently pursued for years, improvements to existing sales floors and an ongoing review and optimization of cost structures across the whole group should generate additional profit and sustainably raise the group's operating profit.

Shareholder-friendly dividend policy

LUDWIG BECK AG follows a clear and shareholder-friendly profit distribution policy. The shareholders of today and tomorrow should participate in the successes of the company, in accord with positive profit developments.

General meeting

Over 550 shareholders followed the invitation to the General Meeting on May 9, 2008. 75.28 % of the share capital (2,781,757 shares) was represented. As usual the General Meeting took place in Munich.

The General Meeting supported the proposals of the Executive Board and Supervisory Board with a large majority, and agreed on the increase on dividends of € 0.30 per share. With 3,695m shares with dividend rights the total amount distributed as dividends for the 2007 fiscal year was € 1,109k. The remaining profit of € 48k was deposited in revenue reserves.

The Executive Board and Supervisory Board were discharged; the remaining points on the agenda were all approved with large majorities. Auditors AWT Horwath GmbH were once again commissioned as auditors of the annual financial statement for the 2008 fiscal year.

As the period of office of the shareholders' members of the Supervisory Board's ended with the 2008 General Meeting, a new Supervisory Board was elected.

The votes for the individual agenda items are listed as follows:

Agenda item 2
"Appropriation of balance sheet profit":
Yes-votes 2,781,342, no-votes 415, abstentions 0. By which the proposal for the appropriation of the balance sheet profit was approved by 99.99 %.

Agenda item 3
"Discharge of members of the Executive Board":
Yes-votes 2,765,053, no-votes 75, abstentions 13,360. By which the members of the Executive Board were discharged with almost 100 %.

Agenda item 4
"Discharge of members of the Supervisory Board":
Yes-votes 835,883, no-votes 375, abstentions 13,360. By which the members of the Executive Board were discharged with 99.96 %.

Agenda item 5
"Election of Auditor for the 2008 fiscal year":
Yes-votes 2,768,222, no-votes 75, abstentions 13,460. By which the management's proposal of Munich Auditors AWT Horwath GmbH as Auditor for the 2008 fiscal year was approved with almost 100 %.

Agenda item 6
"Election of shareholders' new members for the Supervisory Board":

Vote for Mr. Christian Greiner:
Yes-votes 2,766,747, no-votes 1,325, abstentions 13,685. By which the Supervisory Board's proposal for the election of the new Supervisory Board was approved with 99.95 %.

Vote for Dr. Joachim Hausser:
Yes-votes 2,767,992, no-votes 100, abstentions 13,665. By which the Supervisory Board's proposal for the election of the new Supervisory Board was approved with almost 100 %.

Vote for Dr. Lutz Helmig:
Yes-votes 2,767,107, no-votes 390, abstentions 14,260. By which the Supervisory Board's proposal for the election of the new Supervisory Board was approved with 99.99 %.

Vote for Mr. Gerhard Wöhrl:
Yes-votes 2,766,422, no-votes 1,675, abstentions 13,660. By which the Supervisory Board's proposal for the election of the new Supervisory Board was approved with 99.94 %.

Vote for substitute member Mr. Hans Rudolf Wöhrl:
Yes-votes 2,766,220, no-votes 1,877, abstentions 13,660. By which the Supervisory Board's proposal for the election of the new Supervisory Board was approved with 99.93 %.

The constitutive meeting of the Supervisory Board directly followed the General Meeting, during which Dr. Joachim Hausser was once again elected as Chairman of the Supervisory Board.

Investor Relations

Comprehensive, transparent and prompt information on the capital markets lies at the heart of LUDWIG BECK Investor Relations activities. The company thus provides shareholders with a wide range of information to enable them to make a fair assessment of the state of the business.

LUDWIG BECK published detailed quarterly financial reports and the half-year financial report promptly and in accordance with German regulations. These include the German Corporate Governance Code and the guidelines for Prime Standard businesses listed on the German Stock Exchange. Further information on Corporate Governance can be found from page 25.

In the completed fiscal year LUDWIG BECK continued to strengthen its contacts to financial analysts, institutional and private investors. In addition to the Financial Press Conference on March 14, 2008, the business also presented itself at the annual Analysts' Conference in Frankfurt on March 17 and at the 3rd IFF - Investment Forum on August 14 (also in Frankfurt). Further to that the LUDWIG BECK AG Executive Board also had individual meetings with investors, analysts and press representatives regarding quarterly performance, company and sector perspectives.

The company also offered its shareholders various analyses and assessments from bank-linked as well as independent analysts, focusing on LUDWIG BECK investments and thus assisting in decision-making. These research reports are available on the company's website under Relations/Financial Publications, as well as through the Newsletter.

An important aspect of successful Investor Relations is the active dialogue with the financial market media in order to open LUDWIG BECK AG investments to the wider public. For instance Dieter Münch, Chairman of the LUDWIG BECK Executive Board, took part in an interview on Stock Exchange Radio over the newest developments in the company whereas various renowned financial newspapers such as Focus Money and €uro am Sonntag reported on LUDWIG BECK investments.

A further important development in the past fiscal year was the expansion of LUDWIG BECK internet presence under **www.ludwigbeck.de**, one of the load-bearing pillars of Investor Relations communication. As part of a complete overhaul of the site, the layout was adapted to fit the new advertising campaign. Catering to international visitors to the site, all content is now also available in English under **www.ludwigbeck.com**.

A pleasing recognition of the ongoing efforts in the Investor Relations field was the accolade for the LUDWIG BECK 2007 Annual Report by Deutsche Standards EDITIONEN: The latest issue of exemplary annual reports praises the LUDWIG BECK report as a professional and ideally formulated instrument of financial communication.

LUDWIG BECK Investor Relation activity will further build on these sound foundations in 2009 with the goal of further optimizing the dialogue with all investor groups.

The meeting schedule for the 2009 financial year can be found on page 124 of this business report or under the Investor Relations/ Financial calendar column on **www.ludwigbeck.com.**

Contact

LUDWIG BECK Investor Relations
esVedra consulting GmbH
t +49. 89. 28 80 81 33
f +49. 89. 28 80 81 49
info@esvedragroup.com

3. LUDWIG BECK – Style Has a New Home

3. LUDWIG BECK – STYLE HAS A NEW HOME

The Company

When it's said a particular store is the top address, then there must be good reasons. A unique location is part of it, then there are the people who fill the building with life, then there's the unmistakable identity – and an aura. All these combine to make a place of real exclusivity.

And that's the case at the LUDWIG BECK's flagship store. The location: Munich's Marienplatz, magnet for visitors from around the world. The people: a sales team with quality consciousness, passion in their work and excellence in advisory skills. The identity: rich in tradition, having sought out premium wares in every specialty department. And the charisma: simply indescribable, when you have experienced this Munich institution of first class shopping with all your senses.

Because it's precisely that sensuality, that celebration of outstanding products that has made LUDWIG BECK successful. Sensing trends, living dreams, succumbing to allures, pursuing the sheer delight of upmarket shopping – you only get all of this in a place where style is at home.

History

1861

The button maker and dress trimmer Ludwig Beck opens a button making and dress hemming workshop in his father's property with four assistants and an apprentice, simultaneously opening a shop with two sales assistants and a trainee.

1874

Business booms. Nearby buildings are bought and the premises expanded.

1876

When the "Kini" calls, there is no stopping an ambitious Munich company. LUDWIG BECK supplies Ludwig II's fairy tale castles with gold and silver trimmings, thus earning him the title of "Royal Bavarian Court Trimmer".

1892

Expansion of the product range. Silks, linens and clothing supplement the buttons, haberdashery, trimmings, ribbons and lace.

1921

On the company's 60-year anniversary, LUDWIG BECK already has 61 employees – 44 commercial workers and 17 engineering staff.

1938

The trimmings workshop "LUDWIG BECK Posamentier" is sold to Gustl Feldmeier, a textile salesman. He changes the company's name to "LUDWIG BECK am Rathauseck". The company meanwhile employs 138 workers.

1945

The commercial premises are 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 rebuilt in their old splendor.

1953

The company now has 409 employees, with annual sales amounting to DM 12.4m.

1954

The economic miracle is alive and well. Gustl Feldmeier acquires today's flagship store at Marienplatz, thus taking the most important step for LUDWIG BECK in the company's history. The department store is radically 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

Sometimes the recovery happens under the surface: LUDWIG BECK opens the lower ground floor at Marienplatz. Now shoppers can enter directly from the suburban and underground train station.

1972

A retail boom. The first shopping centre branch is opened – right on time for the Olympic Games at Munich's Olympia Shopping Centre.

1974

With the collaboration of numerous craftsmen and artists, LUDWIG BECK presents the first "Christmas house" at Marienplatz. This continued to be a central part of Munich's Advent tradition for over 30 years.

1978

LUDWIG BECK as pioneer: the individual working times are established for the now 840 full and part-time employees.

1986

125 years of Beck! The fashion business generates annual sales of 132 million DM and employs 860 staff. The anniversary year is fittingly celebrated with our customers.

1988

Until today successful classical music department 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 beck". Within a short time it climbs to number 1 in Munich.

PICTURE ABOVE
The LUDWIG BECK pedigree displayed on the ground floor of the tradition-rich Munich store informs visitors and customers of the long, moving and successful history of the firm.

1990

In its November issue, Petra women's magazine presents "the world's most beautiful department stores". LUDWIG BECK am Rathauseck is ranked among Harrods, Galeries Lafayette, GUM and Bloom-ingdales 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 a brand re-launch.

1998

LUDWIG BECK goes public. The issue price lies at the upper end of the book building range at DM 34.00. The near 1.8m shares are oversubscribed approximately ten-fold at the closing of the subscription.

2001

LUDWIG BECK founds LUDWIG BECK Beteiligungs GmbH and takes a majority stake in the Marienplatz property.

2007

LUDWIG BECK sparkles afresh. The comprehensive renovation of the Marienplatz store gives the business a fresh face, increases its profile and represents the biggest investment in the company's history. In spite of the building works the concern generates sales of € 103.5m on the reduced sales area and achieves annual profits of € 2.6m.

2008

The lavishly conceived renaissance of the Marienplatz store is furthered with the extension of the 5th floor as sales area. The company's flagship now presents itself in all its architectural details as fine and exclusive as its offerings. Further optimization of the branch concept sees the mono-label s.Oliver branch in Regensburg close on September 30. LUDWIG BECK founds the LUDWIG BECK Grundbesitz Haar GmbH and buys the 8,000 sqm plot in Haar near Munich on which the company's logistics centre is found. Positive sales developments even in times of crisis: Gross sales climbs up 1.8 % (branch-adjusted).

Strategy and Concept

Upswing through upgrading

Trading up, strategic alignment of a trading company which aims to bind customers more strongly to the business and achieve higher prices through the improvement of the range, sales advice, service and décor. (Meyers Lexikon Online)

It's five years now since LUDWIG BECK took the decision that wrote company history: after its flotation on the stock market and far reaching restructuring the concern decided on a path of ongoing product range upgrading – thus setting the course for a lasting upswing.

How should one envisage a serious "trading up" in a traditions-rich company like LUDWIG BECK? On the one hand, there's the need to establish a benchmark for the presentation of products whose level simply can't be high enough for the demand created.

And of course on the other hand, it is the quality of the range of goods for which LUDWIG BECK has always been known. The idea of premium is followed through without compromise: in the selection of national and international top brands, setting trends through the products of celebrated young designers or through the creation of new labels that begin their victory parade at Munich's Marienplatz.

But "trading up" also means adapting to the market and constantly asking question. Because a after an initial period of success a label can easily fall by the wayside and be taken out of the range – to be replaced by a new, exciting and very in-demand brand. Because upgrading in the clothing branch means playing with trends, with what's new and wants to succeed and with the yearning hanging in the air to be recognized.

Last but not least is the fact that LUDWIG BECK's sustained pursuit of "trading up" has had the effect that customers' buying reticence can be successfully countered.

"20 years LUDWIG BECK – that's my balance sheet. 'Classical Music' is not just my world of work, it's also my passion. Of course I've experienced a lot in two decades! We were always an island of music in a fashion store. We have been well supported by the management over the years and have together been able to make our department well known. This has been proved yet again through this year's expansion and renovation: There is no other department in our sector that radiates this level of expertise. This is reflected in our customers' feedback. We can feel strengthened that the 'trading up' concept of the whole store is more than successful right here in our department. Taxi drivers who have been driving all night feel as at home with us as world famous performers. And that's what I love about our department; it is the location for everyone who is crazy about music – for culture at all."

Dieter Mondrejewski, 51
Acting Head of the Classical Music Department

"Store of the Senses"

The advantage of location

Even with Europe-wide comparisons LUDWIG BECK's location "am Rathauseck" (at the corner of the Town Hall) at Munich's Marienplatz is absolutely top class. Not only is it at the heart of a flourishing catchment area of some 2.7 million people, it is also an attraction for the 5 million tourists who flock to Munich's must-see centre every year.

Performance

500 employees generate 90 % of the group's sales on around 11,000 sqm sales floor. The driving power of the main store is complemented by the HAUTNAH branch in the nearby FÜNF HÖFE, whose exclusive range of cosmetics is firmly anchored in the consciousness of a high purchasing powered customer base.

"Since my childhood the 'Store of the Senses' has been the definitive Munich department store. And to have been able to contribute to this company since 2008 is really something special. As company business cards, LUDWIG BECK's display windows have always provided something to talk about in Munich and it is fantastic to work with a great deco team to individually stage these anew four times a year, which is very rarely possible in this sector."

Kathrin Maier, 38
Head of Visual Display Window Design/ Decoration

Level of sales

Year after year the Marienplatz store occupies one of the top places for sales in the ranking of European department stores. This is guaranteed by a tradition of sensual shopping experiences in a world of exclusive products which is renowned far from Munich's borders. Selected brands in an emotionally appropriate presentation and seductive arrangement are hard to find even at high class competitors.

Customer potential

The typical LUDWIG BECK customer is female, between 29 and 59 years old, who enjoys shopping, is brand conscious and well off. These sober words describe an exclusive target group who belong to the urban lifestyle-elite and are steered by high expectations – whose exact match is to be found reflected in the quality range at the Marienplatz store.

Brand spectrum

LUDWIG BECK is well known for a very special selection of the finest labels which is constantly reviewed and updated – that means the whole range of offerings. That starts with clothing, moves directly on to accessories, cosmetics and lifestyle products, right through to fine wines, books and a top class music selection.

Advisory skills

A member of the LUDWIG BECK sales team delivers much more than their job description would typically suggest. S/he is a style advisor and partner to the customer, a specialist for exclusive brands, a confidante in tricky selection situations, an empathetic psychologist for the customer's soul – or simply put: the most sincere proof for the "Store of the Senses".

Compositional delight

The "Store of the Senses" display window gallery is famous for its fantasy-rich, often changing and ever surprising showcase design – and the display of high quality products on each floor and in every shelf are staged with that same joy of the senses. This brand impressionism with all its creative sophistication is one of the big secrets behind the unstoppable commercial success at Marienplatz.

"Store of the Senses" as brand promise

"Store of the Senses" is the guiding principle of the entire communication and advertising strategy. It carries the special facets of performance, is an emotional promise to customers, strengthens the uniqueness of the house and has the magic touch of spurring the customers into action for LUDWIG BECK.

"Store of the Senses" means quite simply warmth, multiplicity of experience, surprise, intimacy, creativity and the wish to buy. And that is what LUDWIG BECK tries again and again to stage through its communications.

PICTURE ABOVE
That's how playful Autumn/ Winter fashions can be. A LUDWIG BECK invitation to the "Fashion Games" 2008 with over-sized dominoes and counters.

45 Years' Service – An interview with Elisabeth Lentwojt, 60

Back to the beginning: What was your first day at LUDWIG BECK like? Where did you start off?

It was the August 12, 1963. I was 14 years old and began my apprenticeship as a sales assistant in the former Wool and Crafts department. In those days the Marienplatz store had just 3 floors. But I was totally excited; it was a whole new world!

Which departments have you got to know over the years?

Lots: Aprons and Work Clothes – yes, that was part of LUDWIG BECK back then – then Swimwear, Traditional Costume, Papeterie, Gifts, Home Textiles, Men's Fashion, Cosmetics, Accessories, Leg wear, Children's Fashions, Classics, T-shirts, Lingerie as well the Christmas and Easter markets. You could say there isn't really any department I don't know.

PICTURE ABOVE

Children's fashions are always in LUDWIG BECK's good books, as in the Autumn 2008 "Fashion Games".

What has been the biggest change in the business since you started

Well, there were regular developments in a half yearly cycle – a new department, a whole new floor. Our customers have become ever more international, they have higher expectations and an increasing quality consciousness. Years ago our customers came from Munich and the surrounding area – now they also come from New York, Beijing or Moscow. Our image has also gradually changed. Initially LUDWIG BECK represented tradition and upmarket flair, in the past few years that has really changed to something really modern and exclusive.

What is so special for you about LUDWIG BECK?

LUDWIG BECK was always an institution, something unique. Other stores have tried to copy that, but they never succeeded. To work at LUDWIG BECK means to become part of the "Beck family". As if you marry in. That was always the case: you stick together, make it through the tough times as a team. Come the upswing, we celebrate accordingly – together. It was really noticeable again at the last Christmas party: we had a great time together, right across the hierarchies.

Have you ever considered changing employers?

There was never any question of that! LUDWIG BECK is a part of my life that I wouldn't swap. My last day at work was the December 31, 2008 and my husband certainly worried how I'd cope without LUDWIG BECK. Naturally I'll pop in and keep in touch. And I'll certainly be around in January as my retirement's being celebrated. Mr. Münch has especially reserved the famous "Munich Room" for me, and I can invite who and as many as I like. I'm really looking forward to that and I'm sure it'll be a great event. And there'll even be a separate party to celebrate my 45 years service.

When it comes to leaving, what will you most miss about LUDWIG BECK?

Naturally I'll miss the daily contact with my Beck family. And to be quite honest, I'll also miss the daily contact with our customers, I've become really fond of them.

Tell us about your funniest experiences at work, with colleagues or customers.

One anecdote really sticks in my mind. Our super deco-team had installed a sandy beach complete with boats, palm trees etc. in the Swimwear department. It looked fantastic. Our customers' dogs also shared this opinion and were only too happy to make use of the sand for their own needs. So we had to rethink this brilliant decor pretty fast!

And what touched you the most, what has made you most happy?

At the moment, as my retirement approaches and has been officially announced, I have received so many compliments and hear appreciation from all sides. That is something very precious for me. And it makes me very happy that I have been able to work for 45 years in a job that I've always loved. I was always a great fan of LUDWIG BECK, so for me it was just wonderful to be able to contribute to the success of the company over all these years.

"For me, LUDWIG BECK is more than a workplace. When I first got to know the company about 1½ years ago I was immediately accepted as part of the 'family'. The working atmosphere is extraordinarily good and the cohesion is really that of a real family. We try to bring over this feeling to our customers. I hope that in this way we give them a small daily sense of welcome. LUDWIG BECK is simply different. When I look at the competition, it's always clear to me that LUDWIG BECK is no 'off the peg' department store – it's very individual and special. I think we do very well at raising ourselves from the masses – whether you're talking of the atmosphere or the product range. I'm very thankful for my BECK."

Annika Stolte, 27
Sales Assistant in the Accessories Department

"For me, LUDWIG BECK is the nicest department store in Munich because it enchants not just its customers but also its staff with its very special atmosphere. We were always a trendsetter thanks to our individual and very broad ranges, in which you can always find that special piece for whatever occasion. I'm really happy to be able to contribute to the 'Store of the Senses' in this very exciting phase of 'trading up', ever able to take up the hunt for fascinating new trends."

Kathi Neuhäuser, 26
Buyer Separates/Modern Woman

A visit to LUDWIG BECK

Every Munich resident has been in the "Store of the Senses" at least once. Following the completion of the renovations in 2008 the flagship store enticed customers with both new impressions and familiar imagery:

Lower ground floor

At the base of the building – you could say as a real foundation – is the **men's department**. Stepping into the 1,000 sqm sales floor directly from the Marienplatz station concourse you find yourself surrounded by a palette of business, everyday and casual men's fashions. Earthy masculine hues dominate here. Large glass display tables of shirts, trousers and jumpers allow an easy overview and selection of brands from Armani Jeans through Napapijri and René Lezard to Polo Ralph Lauren. Men like to get right to the point, and here bathed in a striking lighting concept with niches fitted out in fine wood, that is easily and very stylishly achieved.

Ground floor

Up the escalator the experience continues into the ground floor. The eye is immediately caught by a noble wall of grey slate. Other walls are clad with mirrors or wood and there is an ancestral gallery. The customers are visibly at ease. There's a lot to see, and those without a specific shopping plan can browse the lovliest products at their leisure. Perhaps in the exclusive **accessories & leather goods** department, where hot brands from BIASIA, BOGNER, DKNY, David & Scotti, Furla, Longchamp, MCM, Mulberry and See by Chloè are sure to raise the female heartbeat. Custom jewellery like e.g. the extremely popular charm bracelets are to be had in the **Thomas Sabo Shop** – not to forget the Thomas Sabo Sterling Silver Collection.

The **Porsche Design Shop** offers a wide range of lifestyle products, while the latest designer glasses from Prada, Calvin Klein, Dolce & Gabbana, Dior and Miu Miu await you in the stylish displays of **Freudenhaus Eyewear**.

The Dienerstraße entrance brings one into a fragrant paradise with a dizzying range of perfumes, creams, make-up and – unique to southern Germany – the Lash´it cabins; the place to make eyes. This department is rightly called **HAUTNAH**, because what is on offer from the perceptive sales team promises intimacy, the security of well being and the assuredness of having made the right choice. Wellness products from 3LAB, Abahna, biehl parfumkunstwerke, Clinica Ivo Pitanguy, Jo Malone, Koh and REN Skincare line the shelves.

Incidentally, not far away, and sure to provide eye-catcher incidentally, the men's and women's **leg wear department** – home to the finest knits in Munich.

Then one should really treat oneself to a tour of the building from the outside to let the magnificently refurbished façade take its effect. Reminiscences of Renaissance coffering and Regency scenes shine brick red on a pale background – a sensuously pictorial sight that is a joy to behold and is not to be found in any other German city.

Intermezzo Burgstraße

Two very special highlights of shopping culture à la LUDWIG BECK are to be found right next door and opposite the flagship store on Burgstraße. **Geknöpft & Zugenäht** – the haberdasher's is a nostalgic link to the 19th century origins of the business. Ribbons, buttons, trimmings, laces, cords, threads . . . even the professional tailor would not find the range wanting. An unusual pattern, a rare material? One can't go wrong here – it's a tradition.

Old Munich arches on the other side of the road over an illustrious combination of wine dealership and book shop. LUDWIG BECK people would say, wrong. This is not the home of any old literature or colourful labels, at **DICHTUNG & WAHRHEIT** (Poetry & Truth) only the finest wines from the House of Garibaldi and a selective repertoire of books find a home. Which is why the Frankfurter Allgemeine Zeitung newspaper crowned this harmonic symbiosis of intellectual and epicurean taste "Wine Shop of the Year 2007".

PICTURE ABOVE
A sensual seduction awaits visitors to the HAUTNAH (Up Close) department, a paradise of fragrance, make-up, creams and many other selected beauty products.

1st floor

Back in the flagship store, the tour attains altitude. Lightness and spaciousness surround the customer. The sales range lures with a kaleidoscopic multiplicity of visual attractions, fragrances and tones. In the **lingerie department**, elegant displays from D&G, DKNY, La Perla and Malizia show their potential for seduction. Sensuality, silk, sexy designs invite couples to linger and lookout for something "sinful".

A real brand Eldorado is to be found in **modern woman separates**: Bruuns Bazaar, by Malene Birger, Filippa K., Marc O´Polo, Max & Co., Patrizia Pepe and many more. This is where trends are launched, international brands are presented and the up-to-dateness of collections is continuously defined anew.

2nd floor

Knitwear, shirts and trousers, woollen or cashmere, in current colours and cuts make this department an absolute must. If you want to cut a good figure you'll not be able to miss this department with labels such as Brax, Cambio, Lacoste, CLASSICS by LUDWIG BECK, G.C. Fontana, MAC and Rosner. For those men who feel their wives' and girlfriends' trying on just that little bit too . . . trying; there are extra comfy leather chairs in various designs. And should you fancy a coffee or pastry, just stroll over to Kaffee Wiener´s.

That provides rather an amusing parallel to **children's fashions**: There the little ones can let off steam in the play corner with Gameboys and Lillifees, while their parents satisfy the mini brand consciousness with labels including Burberry, Diesel, DKNY, Polo Ralph Lauren, Tommy Hilfiger Kids and Rock Star Baby.

Paper's most beautiful, stylish and finest – that's how you could paraphrase the **Papeterie** mission. Pretty boxes, fine writing paper or elegant notebooks next to the city's largest semicolon offer. Fancy your name embossed in leather? Or do you want to pore over the paper range until you find that perfect piece for your next love-letter?

3rd floor

When top international labels come to Munich, they head to **designer fashions, coats/ jackets & eveningwear** at LUDWIG BECK. All the big names are represented over 800 sqm – from Akris Punto, BOSS, Polo Ralph Lauren, Marc Cain, JOOP!, Max Mara, Orwell, René Lezard to St. Emile or Strenesse Gabriele Strehle – and ladies will be delighted to regularly see here the latest developments from the top glossy magazines.

Plus size fashions make a big entrance on the 3rd floor showing shapely silhouettes. Choose from popular brands such as Elena Miro, Marina Rinaldi, Samoon and Sallie Sahne.

Whether for the beach or the pool, or perhaps just for the afternoon on the balcony – with designer **beachwear** from BOGNER Fire & Ice, Dolce & Gabbana or La Perla you don't have to forgo sharp lines and top labels.

PICTURES ABOVE

Display window as art gallery: At LUDWIG BECK even wooden coat hangers can be design objects – and the big sheets of paper with silhouettes of Munich landmarks magically attracted windowshoppers.

And in the winter season we expand our **outdoor department** to around 350 sqm and present a huge range of international coat and jacket brands such as Airfield, Cinzia Rocca, BOGNER Fire & Ice, Gil Bret and Max Mara.

Ladies are presented on the 3rd floor with elegant **eveningwear** ensembles for festive occasions with labels such Niente, Nicowa and Vera Mont.

PICTURE ABOVE

Chic & cheeky: Under the slogan "Alpenlook" LUDWIG BECK presents traditional costume as modern lifestyle experience.

4th floor

Young designer fashions have found their home under black spotlights in a groovy studio atmosphere. Distinguished shooting stars present their fan base with cult shirts, jeans and jackets. It's more than likely that some of them have just recently be discovered by LUDWIG BECK's design-scouts in some exciting spot on the planet. This is where you'll find labels such as American Vintage, Belstaff, Blauer, Boss Orange, Citizen of Humanity, Diesel and Tiger of Sweden.

Talking of bold contrasts: The **promotions area** on this floor is a well visited stage for seasonal offers. A huge range of traditional costume is shown here from July until the Oktoberfest. And towards the end of the year LUDWIG BECK invites you to a stylish Christmas market for the senses.

5th floor

The sparkling premiere was on May 15, 2008. LUDWIG BECK completed its ambitious renovation of its flagship store with the expansion into the 5th floor. The relocation of the acclaimed **music department** into this 1,000 sqm created a unique platform for classical, jazz and world music. 100,000 available titles, excellent sales people, an elegant environment of warm wood, brass trims, candlesticks, loads of space to listen and browse – to paraphrase this superlative music department. Whoever walks in with an unusual wish, to have the relevant CD in his hand and within minutes becomes a loyal regular. Something else sounds good: Classics fans can experience their stars up close, meeting top international artistes such as Anna Netrebko, Lang Lang, Martin Stadtfeld and Zubin Mehta at the traditionally well attended autograph sessions.

"Although I really haven't been here that long, I feel right at home at LUDWIG BECK. For me, that means feeling at ease at a place where I'm happy to go every day. I also associate a home with a family or a group of friends who support me, even when it's not going so well. That's why I call my colleagues 'friends' when I talk about them. I am now – like many of my colleagues – infected with the 'Beck-Virus' and simply look forward every morning to my new working day!"

Xaver Zeller, 23
Retail Trainee

Branches

The second column of the success

The heart of LUDWIG BECK's business is to be found at the flagship store at Munich's Marienplatz. This is where the customer finds an impressive range of upmarket brands. The branch stores expand the breadth and round off the LUDWIG BECK business model. These stores reach out to the target groups whose purchasing needs are not met by the "Store of the Senses" "trading up" sales concept.

Multi-label stores

The LUDWIG BECK fashion branches in Munich's, Augsburg's and Landshut's big shopping centres attract in particular younger target groups seeking medium priced collections. They are price conscious, fashion oriented and respond well to LUDWIG BECK's brand image.

Mono-label stores

The mono-label stores are tailored to the internationally successful ESPRIT and s.Oliver brands. These two strongly growing brands secure important market shares in a vertical sales system. This field is constantly being optimized in accordance with the group's business strategy.

Outlet sales

The LUDWIG BECK fashion warehouse outlet in Parsdorf near Munich creates additional sales potential. The outlet additionally profits from its customer pulling neighbours; Käfer fine foods and the "magnetic" Segmüller furniture. As the company offers LUDWIG BECK brand quality at great value prices the whole year round, the demand is persistently high.

4. Consolidated Management Report

4. CONSOLIDATED MANAGEMENT REPORT

Business and General Conditions

Macro-economic Development

Global economy on the slide

The escalation of the financial crisis in September 2008 and the weakening of US demand combined with the very high oil prices at play until the summer brought a phase of sustained growth in the global economy to a grinding halt in 2008. World Bank experts fear the worst economic crisis since the big depression of the 1930s. According to the Institute for World Economics (IfW), this downturn has increasingly gathered momentum and unlike the weakened global economic conditions of the early 1990s (when one major industrial country went into recession after another over a sustained period of time) this has happened in a globally synchronized fashion in 2008. The global economy thus significantly cooled in 2008 with growth of just 2.8 % (German Council of Economic Advisors' Annual Report 2008/2009) as compared to 3.7 % in the previous year.

At the same time hopes were dashed that the emerging economies could decouple themselves from the economic trends of the industrial nations. The German Council of Economic Advisors reported that the producing economies of the four big emerging markets of Brazil, Russia, India and China also suffered a slowdown. According to the IfW the reduction in demand from the industrialized nations and the negative effects of the financial crisis gradually drew the upswing to a halt in these economies too.

EU-economy suffers heavily under the global downturn

Economic growth in the EU and Euro zone was drastically weakened in the light of the unexpected scale of the financial crisis and the worldwide economic downturn. Some countries in the EU registered their first increase in unemployment for years. According to European Commission estimates, growth of almost 3 % in 2007 sank to about 1 % last year. The impact of the financial crisis on Euro zone countries was reflected in high capital consumption, dwindling inter-bank trust and foundering liquidity in the banking sector according to the German Council of Economic Advisor's report. Government support measures to secure monetary availability in the financial sector also strained public spending. The European Central Bank (ECB) reacted in December 2008 by sinking key interest rates by 75 basis points to 2.5 % – an action which marked the biggest interest rate adjustment of their 10 year history. This approach targeted a strengthening of trust in producers and consumers, as a crisis of confidence was noticeable, particularly amongst the latter. According to the German Council of Economic Advisors, the consumer confidence index sank to its lowest level since 2003.

German growth halves

According to the Federal Statistical Office, Gross Domestic Product (GDP) for 2008 was in real terms 1.3 % above that of the previous year. GDP increased by 2.5 % in 2007 and by 3.0 % in 2006. However, the recession really took its toll and the strong start to the year is solely to thank for a positive growth figure. Exports, on the other hand, dragged economic performance down for the first time since 2003, slowing growth by 0.3 %. In particular, weak demand in the US and other EU countries gave the German economy a hard time. In contrast, positive pulses came from the domestic markets with the biggest contribution coming from gross investment which grew 6.1 %. The employment market still rode on the good performance of the previous year, unemployment figures and rates for 2008 were below 2001's low point, according to the Federal Employment Office. As an annual average, 3.3m people were without work representing an unemployment rate of 7.8 % in comparison with 9.0 % in the previous year. However, despite the increase in the gainfully employed, spending barely increased, rising only 0.5 % in 2008. Private consumer spending even stagnated in comparison with the previous year.

Retail developments

Economic pessimism swallows consumers

The German retail sector has a difficult year behind it. Despite the good economic position at the beginning of the year and the positive developments in the employment market, German consumers purchased with caution in 2008.

The clothing retail sector closed 2008 down 4 % according to TextilWirtschaft magazine. Apart from very good sales in May (+12 %) and February (+5 %), the sector recorded steadily declining sales figures – in spite of already weak figures for the previous year. Gloomy prospects for economic development as a whole, news of bankruptcies, job losses and national debt in the billions drove consumers to thrift – and the clothing sector was not spared.

LUDWIG BECK successfully fights against negative environment

LUDWIG BECK has once again succeeded – against the odds of a tense market environment in an until now unique financial crisis, wildly changing energy prices and a massively troubled economy – in completing the 2008 fiscal year with an increase in sales (branch-adjusted). The strategic decision to bestow a new and more modern face to the Marienplatz store through a determined "trading up" concept and comprehensive renovations has more than paid off, making it even in 2008 an earnings machine. The branches – which form the second pillar of the group – experienced ongoing sales area and cost optimizations and also contributed to the success of the company.

Corporate structure

LUDWIG BECK's consolidated financial statements include alongside LUDWIG BECK AG its 100 % subsidiary LUDWIG BECK Beteiligungs GmbH.

LUDWIG BECK AG comprises the core business with the traditions-rich flagship store at Marienplatz, the HAUTNAH branch at the FÜNF HÖFE, the LUDWIG BECK multi-label branches, the LUDWIG BECK mono-label stores in Munich and Regensburg and the LUDWIG BECK fashion outlet in Parsdorf. At the end of the 2008 fiscal year the group consisted of three multi-label branches, two mono-label stores and one fashion outlet. A s.Oliver store in the Regensburg Arcades was sold to s.Oliver at the end of September 2008.

LUDWIG BECK Beteiligungs GmbH has a 50.1 % interest in Feldmeier GmbH & Co. Betriebs KG, and a 50.2 % interest in its general partner LUDWIG BECK Verwaltungs GmbH as well as a 100 % interest in heptus 122. GmbH (future name: LUDWIG BECK Grundbesitz Haar GmbH). heptus 122. GmbH is an operationally necessary plot of land in Munich-Haar, which was acquired in 2008 and on which the logistics centre of LUDWIG BECK AG is situated.

Product range structure and sales markets

The group retails under the LUDWIG BECK brand as well as under third party brands (franchise, mono-label). The main focus of the business is the flagship store at Munich's Marienplatz. The product range consists largely of textiles, with non-textile elements such as cosmetics and recordings assuming an ever more important role.

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 creativity and quality, tradition and modernity, shopping as experience and sensuality. With an innovative marketing concept, a unique location in the heart of Munich not to mention a real place in the hearts of its customers, LUDWIG BECK manages time and time again to secure a top place amongst the favorite German retail businesses. Its success is founded on a clear two pillar strategy:

The flagship store at Munich's Marienplatz

The "Store of the Senses" at Marienplatz with its HAUTNAH branch at the FÜNF HÖFE is the central pillar, generating almost 90 % of overall sales. This is the perfect melting pot of department store and specialized dealer. Customers particularly appreciate the wide product range, the high quality expertise and personal advice of a specialist store. As part of the "trading up" strategy the LUDWIG BECK product range is upgraded on an ongoing basis with high quality brands whose exclusivity is always in demand. This innovative sales concept makes shopping at LUDWIG BECK a sensual experience cherished by customers and giving them the added feeling of having purchased the right quality product at a fair price.

The branch stores

The second pillar comprises our branch store concept and consists of three areas: LUDWIG BECK multi-label stores, LUDWIG BECK mono-label stores and the LUDWIG BECK fashion outlet. These medium priced collections find particular appeal amongst price-conscious customers. The branches build on the quality image for which LUDWIG BECK is renowned.

Internal control system

The LUDWIG BECK group control system relies on daily resource planning analyses. These are detailed by cost centre and article number, department and season sizes, thus providing all the necessary information for controlling inventories, product ranges and the allocation of sales areas in an efficient manner.

Personnel

Over the 2008 fiscal year the LUDWIG BECK Group employed an average of 538 workers. The comparable average for the previous year was 544. The number of trainees remained at the high level of 42 (previous year: 45). The number of weighted employees for the 2008 fiscal year was 381 (previous year: 389).

Our employees – the soul of our enterprise

Sadly there is one factor that never appears on a company's balance sheet: the quality of its staff. Our customers enjoy an extraordinary and sensual shopping experience on a daily basis thanks to our highly dedicated employees. Our staff's professional and personalized advice protects customers against mistaken purchases, helps individual orientation and strengthens the feeling of having made a sound purchase. Naturally the high quality expectations of the exclusive LUDWIG BECK customer base don't fall by the wayside. To maintain the very high level of advisory and service skills, we offer our staff specific support to continually improve their customer oriented focus. Our trainees benefit from intensive support in their daily work and a qualified training program alongside their vocational school studies.

The employees reward the company's constant efforts with an exceptional loyalty – a huge commodity for LUDWIG BECK – for without this close employee bond there can be no customer bond. Many of our employees have been with us for decades and once again in 2008 we were able to celebrate their exceptionally long service with a big party: Eleven employees celebrated their 30-year anniversaries, four employees their 35-year anniversaries and two employees their 40 years with the company. You can get to know our colleague who is looking back on 45 years in the LUDWIG BECK family in an interview in this Annual Report.

Our goal remains to maintain LUDWIG BECK's employees' passion for their work and the company thus ensuring continuity for the business.

Marketing

The department store that hijacks the senses

LUDWIG BECK customers know that they will find a wide range of selected brands and products in the "Store of the Senses" which is unique in Germany, all amidst an appealing ambience which perfectly matches the exclusivity of the products with their visual presentation.

The entire communication and advertising presence services this emotional promise to the customers and radiates the sensuality, rich breadth of experience and warmth for which LUDWIG BECK is characterized.

As a result dialogues with LUDWIG BECK customers and close contact with the media have a high priority. Public relations focused once again in 2008 on audience-attracting promotions at the "Store of the Senses" of exclusive cosmetics and designer labels, classical music stars and much more, all of which time and again delighted customers. At the same time, the group worked closely with target-group specific media who transmitted the LUDWIG BECK brand name far beyond Munich's borders.

Consolidated Earnings Situation

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

Consolidated earnings situation of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – December 31, 2008

	2008		2007		Delta	
	€m	%	€m	%	€m	%
Gross sales	102.6	119.0 %	103.5	119.0 %	-0.9	-0.9 %
VAT	16.4	19.0 %	16.5	19.0 %	-0.1	-0.8 %
Net sales (NS)	**86.2**	**100.0 %**	**87.0**	**100.0 %**	**-0.8**	**-0.9 %**
Other own work capitalized	0.2	0.3 %	0.2	0.2 %	0.1	33.4 %
Other operating income	3.3	3.8 %	2.6	3.0 %	0.7	25.2 %
	89.7	**104.1 %**	**89.8**	**103.2 %**	**-0,1**	**-0.1 %**
Cost of materials (CM)	44.8	52.0 %	46.0	52.9 %	-1.2	-2.5 %
Personnel expenses	16.9	19.7 %	17.2	19.7 %	-0.2	-1.3 %
Depreciation	4.1	4.7 %	3.8	4.4 %	0.3	7.3 %
Cost of office and store	8.1	9.4 %	7.7	8,8 %	0.4	5.5 %
Administrative expenses	1.7	2.0 %	1.8	2.0 %	-0.1	-3.5 %
Sales expenses	3.9	4.6 %	3.9	4.4 %	0.1	1.8 %
Other personnel expenses	1.2	1.4 %	1.2	1.4 %	0.0	-1.7 %
Insurance and contributions	0.2	0.2 %	0.2	0.2 %	0.0	-5.5 %
Other operating expenses	0.6	0.7 %	0.9	1.0 %	-0.3	-35.4 %
Sum total of other expenses	**15.7**	**18.3 %**	**15.7**	**18.0 %**	**0.1**	**0.5 %**
Earnings before interest and taxes (EBIT)	**8.1**	**9.4 %**	**7.2**	**8.2 %**	**1.0**	**13.5 %**
Financial result	-3.7	-4.3 %	-4.1	-4.7 %	0.4	-9.0 %
Earnings before taxes (EBT)	**4.4**	**5.2 %**	**3.1**	**3.6 %**	**1.3**	**42.8 %**
Taxes	1.7	2.0 %	0.5	0.6 %	1.2	229.0 %
Consolidated net profit	**2.7**	**3.1 %**	**2.6**	**3.0 %**	**0.1**	**4.9 %**
Memo item						
Gross profit (NS – CM)	41.4	48.0 %	41.0	47.1 %	0.4	0.9 %
Earnings before interest, tax, depreciation and amortization (EBITDA)	12.2	14.2 %	11.0	12.6 %	1.2	11.3 %
Operating margin (EBT/NS) in %	5.2		3.6			
Cost ratio in %	38.6		38.9			
Operating expenses	36.8	42.7 %	36.6	42.1 %		

Sales development

In 2008 the branch-adjusted gross sales of LUDWIG BECK group went up € 1.9m to € 102.6m. Sales in the previous year amounted to € 100.7m. Hence the total increase is 1.8 %. Not branch-adjusted sales amounted to € 102.6m (previous year: € 103.5m). The net revenue was € 86.2m (previous year: € 87.0m).

The overall development of sales was very satisfactory, especially in view of the fact that the year 2008 was marked by the financial crisis and consumers' buying mood had hit the rocks. According to TextilWirtschaft the branch in general was faced with a 4 % minus.

The positive development of LUDWIG BECK is particularly due to the profitable sales of the refurbished departments of the flagship store at Marienplatz. The music department which was reopened on the 5th floor in May also stimulated sales. All in all, the flagship store accounted for nearly 90 % of sales. In the fiscal year 2008 the store at Marienplatz generated a 3 % plus.

Earnings situation

The gross profit could be increased by € 0.4m to € 41.4m in comparison to the last year (€ 41.0m). The 48.0 % gross profit margin was clearly above last year's level (47.1 %).

According, the cost of materials ratio improved to 52.0 % (previous year: 52.9 %). Absolute costs of materials amounted to € 44.8m (previous year: € 46.0m).

Other operating income, composed of rental proceeds, on-charged cost of office and store, proceeds generated by the administration, sales and personnel departments as well as canteen profits and company-produced additions to plant and equipment, reached € 3.5m in the fiscal year and clearly exceeded last year's level (€ 2.8m).

Operating expenses (other operating expenses, depreciation and personnel expenses) quasi remained at last year's level with € 36.8m (€ 36.6m).

Personnel expenses went down 1.3 % from € 17.2m to € 16.9m. In 2008, the average number of employees of the LUDWIG BECK group was 538 (previous year: 544). The number of apprentices (42) remained at a high level (previous year: 45). The number of weighted employees slightly dropped to 381 (previous year: 389).

The cost ratio (expenses in comparison to corresponding proceeds) in relation to net sales could be cut again and dropped to 38.6 % (previous year: 38.9 %).

The earnings before interest, taxes and depreciation and amortization (EBITDA) rose to € 12.2m (previous year: € 11.0m). The EBITDA margin relating to net sales was 14.2 % in the lapsed fiscal year (previous year: 12.6 %).

The operative result (EBIT) rose to € 8.1m in comparison to € 7.2m in the previous year. This equals a 13.5 % increase.

The financial result rose by € 0.4m to € -3.7m (previous year: € -4.1m). The financial result includes a share of € 0.6m for minority shareholders (previous year: € 0.7m).

The earnings before taxes (EBT) was € 4.4m (previous year: € 3.1m) – a solid 42.8 % increase.

Due to non-recurrent positive effects of the corporate tax reform in 2007 in the amount of € 0.8m and the clearly improved earnings before taxes (EBT) in 2008, income tax expenditure went up from € 0.5m to € 1.7m. As per December 31, 2008 the allowable loss carryforwards for corporate tax amounted to € 9.3m, for trade tax to € 0.9m.

The consolidated net income for the year increased from € 2.6m to € 2.7m.

Consolidated Asset Situation

Consolidated asset situation of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as of December 31, 2008

Assets	2008		2007	
	€m	%	€m	%
Long-term assets				
Intangible assets	3.2	2.9	3.3	3.1
Property, plant and equipment	93.3	82.6	88.9	82.8
Deferred taxes	1.1	1.0	2.2	2.0
Other assets	0.2	0.1	0.2	0.2
	97.8	**86.6**	**94.6**	**88.1**
Short-term assets				
Inventories	9.1	8.0	9.1	8.5
Receivables and other assets	5.5	4.9	2.0	1.9
Cash and cash equivalents	0.6	0.5	1.7	1.6
	15.1	**13.4**	**12.8**	**11.9**
Balance sheet total	**112.9**	**100.0**	**107.4**	**100.0**

The balance sheet total of the LUDWIG BECK group stood at € 112.9m as of the balance sheet date December 31, 2008, representing a 5 % increase on the previous year (€ 107.4m).

The increase in the balance sheet total is primarily attributable to the investments made in the flagship store at Marienplatz which exceeded write-downs, and the acquisition of the real estate in Munich-Haar for € 3.6m.

The inventories as of the balance sheet date amounted to € 9.1m and were on last year's level (€ 9.1m).

By virtue of a condition precedent in the acquisition agreement concerning the plot in Munich-Haar, the amount of € 3.6m was placed in a notary's trust account as per December 31, 2008. The claim to the notary's trust account as per December 31, 2008 was shown under other short-term assets. The acquisition price was paid in January 2009. The notary's trust account was dissolved upon payment of the acquisition price.

As per the balance sheet date, the company has cash and cash equivalents in the amount of € 0.6m (previous year: € 1.7m).

Consolidated Financial Situation

Consolidated financial situation of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as of December 31, 2008

Liabilities	2008		2007	
	€m	%	€m	%
Equity	**41.8**	**37.0**	**40.2**	**37.4**
Potential compensation claim by minority shareholders	**8.8**	**7.8**	**8.8**	**8.2**
Long-term liabilities				
Liabilities to banks	36.5	32.3	36.2	33.7
Accruals	0.6	0.5	0.5	0.5
Other liabilities	4.0	3.5	4.3	4.0
Deferred tax liabilities	2.7	2.4	2.7	2.5
	43.7	**38.7**	**43.7**	**40.7**
Short-term liabilities				
Liabilities to banks	8.2	7.3	3.1	2.9
Trade liabilities	5.2	4.6	1.9	1.8
Tax reserve	0.4	0.3	0.6	0.5
Other liabilities	4.8	4.3	9.1	8.5
	18.6	**16.5**	**14.7**	**13.7**
Sum balance total	**112.9**	**100.0**	**107.4**	**100.0**

As a result of ongoing performance, shareholders' equity increased from € 40.2m to € 41.8m. The equity ratio as per the balance sheet date was 37.0 % (previous year: 37.4 %). This slight decline was due to comprehensive investments in fixed assets of the LUDWIG BECK group and associated balance sheet extensions.

Short-term liabilities to banks went up from € 3.1m to € 8.2m in comparison to the last year. In addition to investment expenses in the amount of € 8.6m, other liabilities in the aggregate amount of € 4.0m were redeemed as scheduled in 2008. In the fiscal year 2008 new loans in the amount of € 4.0m were taken out by LUDWIG BECK AG. Therefore, there were no substantial changes to the volume of long-term bank liabilities.

As of December 31, 2008 the short-term financing credit lines for the 2009 fiscal year are secured. The short-term credit line in the amount of € 22.0m was utilized at a rate of roughly 36 % as of the balance sheet date. The yield in short-term current account liabilities is variable.

Trade liabilities are capitalized at repayment value. Due to short terms of payment of these liabilities, this amount equals the market value of liabilities. Payment to commodities suppliers is usually made within 10 days in order to make use of cash discount reduction, whereas the time for allowed payment usually comprises 60 days.

Since payment of the acquisition price of € 3.6m for the plot in Munich-Haar to a notary's trust account is not considered as settlement under the law of obligations the amount is additionally carried as trade liability.

The finance policy is directed at securing the company's financing with simultaneous minimization of financing costs. Most of the non-operational risks are to be excluded.

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – December 31, 2008

	2008	2007
	€k	€k
Net profit before taxes	**4,446**	**3,115**
Depreciation of fixed assets	4,082	3,804
Other non-cash loss/profit (+/-)	28	41
Financial income	-77	-94
Interest expenses	3,217	3,421
Minority interests	551	731
Loss/profit (+/-) from disposal of fixed assets	88	272
Operating result before changes to working capital	**12,335**	**11,290**
Increase/decrease (-/+) in assets	-3,440	-137
Increase/decrease (+/-) in liabilities	3,089	863
Increase/decrease (+/-) in accruals	38	-468
Cash flow from operating activities (before interest payments)	**12,022**	**11,548**
Interest paid	-2,997	-3,212
Interest received	77	94
Disbursements to minority interests	-617	-595
Taxes on income paid	-763	-212
Cash flow from operating activities	**7,722**	**7,623**
Proceeds from disposal of fixed assets	83	2
Disbursements for additions to fixed assets	-8,565	-5,734
Disbursements for additions to plan assets	-79	-78
Cash flow from investing activities	**-8,561**	**-5,810**
Dividend payment	-1,109	-672
Capital increase	0	4,236
Acceptance of interest-bearing liabilities	0	2,500
Settlement of interest-bearing liabilities	-4,000	-350
Acceptance/repayment (+/-) of bank liabilities	6,190	-6,922
Acceptance/repayment (+/-) of finance leases	-509	-532
Cash flow from financing activities	**572**	**-1,740**
Change in cash and cash equivalents	-267	73
Cash and cash equivalents at beginning of fiscal year	832	759
Cash and cash equivalents at the end of fiscal year	**565**	**832**

Cash flow

The cash flow from operating activities slightly increased to € 7.7m in comparison to last year's level (€ 7.6m).

The cash flow from investment activities amounted to € -8.6m (€ -5.8m) in total in the lapsed fiscal year. These investments essentially relate to the creation of a new music department on the 5th floor, and the redesign of the 4th floor of our flagship store at Munich's Marienplatz. In addition thereto, the plot in Munich-Haar was acquired for € 3.6m.

Because of these comprehensive investments, interest-bearing liabilities in the amount of € 2.2m had to be taken on, despite the good result for the year. Furthermore, the amount of € 1.1m was applied to dividend distributions for 2007. In the 2008 fiscal year cash flow from financing activities was € 0.6m (previous year: € -1.7m). This cash flow featured structural differences with that of 2007, when financing in LUDWIG BECK AG was in part effected by a capital increase of € 4.2m.

Supplementary Report

There were no significant events to report after the balance sheet date.

Information According to Sec. 289 Par. 4 HGB (German Commercial Code)

Composition of subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695.000 no-par shares (ordinary shares). The no-par shares are issued to bearer. The nominal value of the shares is € 2.56 per no-par share. Direct and indirect capital holdings which represent more than 10 in a hundred of the voting rights are listed below.

Direct and indirect holdings

The following individuals and companied directly or indirectly hold more than 10 in a 100 voting rights at LUDWIG BECK AG:

+ Rudolf Wöhrl AG (Nuremberg) 27.0 % (direct)
+ Mr. Gerhard Wöhrl (Nuremberg) 27.0 % (indirect)
+ ATON GmbH (Fulda) 25.3 % (direct)
+ Dr. Lutz Helmig (Fulda) 25.3 % (indirect)
+ INTRO - Verwaltungs GmbH (Reichenschwand) 10.0 % (direct)
+ Mr. Hans Rudolf Wöhrl (Reichenschwand) 10.0 % (indirect)

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 and removed by the Supervisory Board. The number of members is determined by the Supervisory Board. However, the Executive Board is composed of a minimum of two persons. Each amendment to the articles of association requires a resolution of the general meeting (Section 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 (Section 170 par. 2 Joint Stock Corporation Act (AktG)).

Opportunity and Risk Report

In the course of its business in its specified sales markets, LUDWIG BECK AG is exposed to a wide variety of risks as are involved in any business operation. These may affect the Group's assets, finances and earnings.

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, with the aim of steadily and sustainable increase the value of the business. Responsibilities are 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 risks, 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, the sector is also heavily dependent on consumer behavior. The current economic situation is also further affecting consumer spending behavior.

Such changes in consumer behavior or the changing competitive climate in retail, caused by the general economic situation, political conditions and changes in income, require constant realignment of our sales concept with the needs of consumers in terms of product selection and service.

The choice of strategy results above all from careful market observation, analysis of the competitive situation and trends in consumer behavior as well as the particular behavior our chosen target groups.

With our clear positioning and corporate strategy, we use the opportunities resulting from this permanently changing market. Our high-quality service and depth of product range allow us to benefit from niches in the specialist store segment.

The Marienplatz store can use its city centre position to promote the development of new, high class retail locations.

LUDWIG BECK profits from the development in vertical sales strategy through its self-run mono-label stores selling renowned brands.

LUDWIG BECK's orientation aims at expanding the market position of our flagship store, while utilizing existing know-how to generate additional sales and earnings through new sales channels.

Potential purchasing risks as a result of suppliers' financial difficulties can be minimized through the high number of suppliers and their careful selection as well as thorough product range analysis and planning.

Currency risks

As an over-the-counter retailer, there is no currency risk on the sales side of the operation. This also extends to procurement as almost all purchasing takes place in Euros.

Seasonal risks

LUDWIG BECK publishes quarterly reports on the group's key figures which show the seasonal fluctuations. In particular, the group regularly 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 at times during which there are not necessarily corresponding inflows of cash from sales revenues. These cash flow fluctuations are monitored and controlled through our financial management section. For such instances, we have established a variety of cash management instruments.

Financial risks

LUDWIG BECK AG operates a central financial clearing system for the group to identify, measure and control financial risks. A financial resources balancing system between the various businesses in the group means that short-term excess liquidity from one can be used to finance the capital needs of the other. This internal clearing system helps reduce the amount of external finance required and optimizes cash deposits. As a result, the system has a positive impact on the interest result of the individual companies and the group as a whole.

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. Loans are spread between several respected lenders to minimize risks of concentration. The company's own solid equity position, its current cash flows and the available bank loans form the basis for the company's long-term financing. Interest risks are controlled through the mix of loan periods and through fixed and variable interest positions. In order to cover future capital requirements, the company's financial management team also regularly checks alternative finance opportunities.

Industry and retail may suffer currently unforseeable difficulties and restrictions in securing bank loans as a result of the financial crisis. A further intensification of the financial crisis could cause liquidity bottlenecks in the individual businesses.

Risk of bad debt

LUDWIG BECK is exposed to the risks of non-payment of receivables to only a very limited extent, as mail order sales are of so much lesser volume than over-the-counter sales. The risks resulting from credit card payments are mainly borne by the credit card providers. Monitoring of EC-card payments is outsourced externally. Mechanisms implemented for the monitoring of cash sales result in low risks for this method of payment. Risks arising from the physical movement of cash, the possibility of fraud and the insolvency of the provider are minimized through these services being distributed between several companies.

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. Should there be legal any questions, the company always seeks the help of external legal advisers.

The company has sufficient insurance cover for risks from damages and liability claims, whose requirements and conditions are subject to continual assessment both internally and externally.

The 2008 corporate tax reform may result in the omission of tax loss carry-forward when buying/ selling shares. This will not have an immediate effect on the financial standing as no tax loss carry-forward would be activated in the balance sheet. However earnings would be subject to comparably higher taxes on profit.

IT risks

IT risks mainly concern our requirement for the no-fail 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.

Alongside the creation of a positive work environment, 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 qualification standards and service orientation of our employees.

Accessibility risk

The central location of the main store at Marienplatz requires to a great extent accessibility via the public transport system. Public service strikes can therefore hamper or even prevent the smooth transport of customers to the inner city. There is thus a risk of reduced sales, if normal business cannot compensate the loss in the following days.

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 hats.

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

Real estate risk

The real estate crisis in the USA and some European countries led to a decay of real estate prices. So far, no negative effects on the German market in general and the Munich market in particular could be recorded. Since real estate prices in the center of Munich are currently at a stable level, the risk of a loss in value of the Marienplatz real estate is considered as low.

Overall risk

With regard to the 2009 fiscal year, the most significant risks lie in grossly misjudging the future development of sales. In contrast, there is also the opportunity that the coincidence of several positive factors sales and profit targets are met or even exceeded.

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.

The structure of the remuneration system for the Executive Board as proposed by the personnel committee 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 both performance-related components and components that are independent from performance. The performance-independent components include a fixed remuneration, fringe benefits and a pension promise, while the performance-related component takes the form of 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 personal tax on their company car. Loans or advance payments were not extended to any of the members of the Executive Board in the reporting year.

The performance-related 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 honor special accomplishments.

The total remuneration of the members of the Executive Board amounted to € 975k in the 2008 fiscal year.

Individual details are shown in the following chart:

Remuneration of the Executive Board in €k

	Annual remuneration								Pension	
	Fixed		Value of fringe benefits		Bonus		Total		Annual value upon initial date of pension payments (as of 12/31)	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Dieter Münch	256	259	15	15	160	223	431	497	57	62
Oliver Haller	240	240	15	15	150	223	405	478	0	0

The above 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.

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

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 is determined by the AGM and is regulated by 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.

The Chair of the Board receives double the amounts of the fixed remuneration and the bonus, his Vice-Chair one and a half times the amounts.

Chairing 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.

Individual details are shown in the following chart:

Remuneration of the Supervisory Board in €k

	Pension		Variable		D&O		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
Dr. Joachim Hausser	23	23	0	0	3	3	27	27
Gerhard Wöhrl (2007 pro rata)	6	14	0	0	2	3	8	18
Dr. Lutz Helmig (2007 pro rata)	6	11	0	0	2	3	8	15
Christian Greiner (2008 pro rata)	0	7	0	0	0	2	0	9
Gabriele Keitel	10	10	0	0	3	3	14	14
Felicitas Uhl (2008 pro rata)	0	6	0	0	0	2	0	8
Dr. Eva Annett Grigoleit (2008 pro rata)	18	8	0	0	3	1	22	9
Eva-Maria Stähle (2008 pro rata)	10	4	0	0	3	1	14	5
Günter Bergmann (2007 pro rata)	5	0	0	0	1	0	6	0
Steven Wilkinson (2007 pro rata)	5	0	0	0	1	0	6	0

Mr. Gerhard Wöhrl and Dr. Lutz Helmig were elected to LUDWIG BECK AG's Supervisory Board by the AGM on May 25, 2007. Their remuneration for the 2007 fiscal year is thus on a pro rata basis.

Mr. Christian Greiner and Ms. Felicitas Uhl were elected to the Supervisory Board by the AGM on May 9, 2008, thus no comparison with the previous year is possible and their remuneration for the 2008 fiscal year is on a pro rata basis. Dr. Eva Annett Grigoleit and Ms. Eva-Maria Stähle left the Supervisory Board in 2008 thus her remuneration for the 2008 fiscal year is on a pro rata basis.

Designated sponsoring services were contracted from Viscardi AG to the value of € 26k. Dr. Joachim Hausser is affiliated to Viscardi AG.

LUDWIG BECK enlisted advisory services to the value of € 85k from CMS Hasche Sigle Lawyers and Tax Consultants. Dr. Eva Annett Grigoleit works with this law firm.

ATON GmbH of Fulda furnished two low interest short term loans of a total of € 2,500k in fiscal year 2007. Both loans are due to be repaid in the 2008 fiscal year. Dr. Lutz Helmig works with this company.

Forecast Report

World economy confronted with recession

According to the International Monetary Fund (IMF) the global economy will grow this year as slowly as at any time since the Second World War. The IMF predicts global growth in 2009 at just 0.5 % in their forecast report. They also foresee worldwide losses due to the financial crisis to the value of $ 2.2 trillion. The IMF forecast a minus for all the big economies for this year, although they expect a plus in the coming year.

The IMF forecast reports the economic crisis is encroaching from the industrial nations over to developing world and emerging economies. Their 6.3 % growth in 2008 will sink to just 3.3 % this year. Despite weakened rates of growth, the economic engines will remain emerging economies like China (+ 6.7 %) and India (+ 5.1 %).

IMF experts proffer great uncertainty regarding their forecasts for further economic development. The predicted gradual recovery from 2010 is based on the expectation of a slight improvement in the crisis on the financial markets. At the moment the situation there is very tough. Despite wide reaching political interventions, tension in the financial sector remained acute, dragging down the real economy, writes the IMF. The experts warn that the damaging interplay between the financial markets and the real economy will further intensify without some hefty counteraction.

Economic crisis in Germany

According to the Federal Ministry of Finance, current economic figures indicate that Germany is already in recession. Germany is having to grapple with the global financial crisis as well as the sudden slump in the world economy. On top of that, the economic slowdown of the past year presents a massive influence on GDP development in 2009. It can be expected that the globally synchronized economic downturn will also heavily weaken economic activity in Germany. The German government has thus revised its GDP development forecast for 2009 downwards and now estimates a minus of 2.25 %. The federal government had previously forecast a slight growth of 0.2 % on the previous year.

The federal government responded with a second package of economic interventions in light of the severity of the slump, initiating demand stimulation measures to the tune of € 65 billions for 2009 and 2010. In addition small rays of hope in an otherwise cloudy economic sky were provided by the agreement on a brake on debts as well as certain business indicators such as reduced commodity prices and the worldwide low interest policies.

German companies are also just beginning to glimpse light at the end of the tunnel. The Munich ifo institute's economic climate index, an important mood barometer for the business community unexpectedly climbed to 83.0 points in January, from 82.7 in the previous month. That may seem like a small improvement to an already low figure, but it nevertheless represents the first positive movement after seven months of slipping. This break in the long lasting downward spiral was largely due to the more optimistic expectations of the businesses surveyed. Whereas they estimated their current situation worse, they were more confident for the coming months.

According to the GfK consumer climate report may withstand the all pervading pessimism thereby stabilizing the consumer climate index development – albeit at a low level. Despite persistently bad economic news the propensity to buy significantly grew, while having to accept penalties to income and economic expectations. GfK experts see a fundamental ground for the noticeable improvement in the propensity to buy in the falling price pressure of the past months. Whether consumption in this year of recession can exert a positive pulse on the economy depends however, according to GfK, how severely the crisis continues to affect the job market.

LUDWIG BECK confident of its own business cycle

Reliable prognoses for the future are especially difficult due to the uncertain economic conditions, but LUDWIG BECK does not assume that the negative economic environment will significantly recover this year. It is essential for a retail business to position itself clearly and sharpen its profile to differentiate itself from its competition – especially in times of gloomy economic forecasts and downward income expectations.

LUDWIG BECK has been a solid parameter in the heart of Munich for almost 150 years, growing over the years to become a real institution in which tradition and modernity magnetically complement each other. In its "Store of the Senses" at Munich's Marienplatz, the historic centre of the state capital, LUDWIG BECK has command of a unique location for the headquarters of its fashion business. Marienplatz is one of the most frequented squares in Europe and is one of the most important European retail locations. With attractions such as the Town Hall glockenspiel, the Marian column and the old Town Hall, Marienplatz is a firm destination for almost all tourists to Munich.

Alongside this traditional location advantage, LUDWIG BECK has been pursuing its successful Trading Up strategy at its flagship store over the past years. This continual upgrading and modernization of both the product range and the sales area has created an exclusive shopping oasis in the heart of Munich. The company created a further highlight for its 'pearl' at Marienplatz in 2008, lavishing a new 1,000 sqm home on its renowned music department. The group's management is confident of not only having created an incomparable department extending way beyond Munich's borders, but also of being able to generate substantial positive effects to sales and profit on this additional sales floor.

Last but not least, LUDWIG BECK has always based its success on its dedicated and professional employees who create a welcoming atmosphere and offer each customer a personal shopping experience on a daily basis.

With the continued and consistent pursuit of the "trading up" strategy as a supporting pillar of success and important component of business philosophy, and an unparalleled service and advice quality LUDWIG BECK will continue to provide for surprising and unique shopping experiences in the future.

At a time in which all research institute forecasts on economic development exhibit only a spurious accuracy, it is not possible at the moment to give a reliable statement on the development of the business. At the current time, the group's management does expect significant profit which should exceed the EBIT margin of 4 %. In addition the Executive Board is confident that the LUDWIG BECK group will continue to grow both organically and healthily in 2010 and, despite potentially continuing difficult economic conditions, that the group will once again outperform the sector sales average.

Munich, February 2009
The Executive Board

5. Financial Information

5. FINANCIAL INFORMATION

Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as of December 31, 2008, acc. to IASB

Assets		Dec. 31, 2008	Dec. 31, 2007
	Appendix	€k	€k
A. Long-term assets			
I. Intangible assets	(1)	3,224	3,343
II. Property, plant and equipment	(1)	93,341	88,910
III. Deferred taxes	(2)	1,079	2,200
IV. Other assets	(3)	156	177
		97,800	**94,630**
B. Short-term assets			
I. Inventories	(4)	9,070	9,112
II. Receivables and other assets	(5)	5,507	2,005
III. Cash and cash equivals	(6)	570	1,687
		15,147	**12,804**
		112,946	**107,433**

Shareholders' equity and liabilities		Dec. 31, 2008	Dec. 31, 2007
A. Shareholders' equity			
I. Subscribed capital	(7)	9,446	9,446
II. Reserves	(7)	14,846	14,003
III. Net income	(7)	1,919	1,156
IV. Supplementary item from minority interests	(7)	15,542	15,619
		41,754	**40,225**
B. Potential compensation claim by minority shareholders	(8)	**8,825**	**8,813**
C. Long-term liabilities			
I. Liabilities to banks	(10)	36,468	36,234
II. Accruals	(9)	575	537
III. Other liabilities	(10)	3,997	4,258
IV. Deferred tax liabilities	(11)	2,696	2,681
D. Short-term liabilities		**43,735**	**43,710**
I. Liabilities to banks	(10)	8,217	3,108
II. Trade liabilities	(10)	5,205	1,926
III. Tax liabilities	(10)	403	571
IV. Other liabilities	(10)	4,808	9,080
		18,633	**14,685**
		112,946	**107,433**

Consolidated Income Statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2008, acc. to IASB

		Jan. 1 – Dec. 31, 2008		Jan. 1 – Dec. 31, 2007	
	Appendix	€k	€k	€k	€k
1. Sales revenues	(12)				
- sales (gross)		102,578		103,487	
- minus VAT		16,372	86,206	16,503	86,984
2. Own work capitalized	(13)		219		164
3. Other operating income	(14)		3,318		2,649
			89,742		**89,797**
4. Cost of materials	(15)	44,836		45,991	
5. Personnel expenses	(16)	16,944		17,166	
6. Depreciation	(17)	4,082		3,804	
7. Other operating expenses	(18)	15,744	81,605	15,664	82,625
8. EBIT			**8,137**		**7,172**
9. Financial result	(19)		**-3,691**		**-4,058**
- Of which financing expenses: € 3,217k (previous year: € 3,421k)					
- Of which minority interests: € 551k (previous year: € 731k)					
10. EBT			**4,446**		**3,114**
11. Taxes	(20)		1,731		526
12. Consolidated net income			**2,715**		**2,588**
13. Accumulated income			1,156		927
14. Dividend payment			-1,109		-672
15. Inappropriated consolidated net income	(21)		-843		-1,687
16. Inappropriated consolidated net income			**1,919**		**1,156**
Earnings per share diluted and undiluted in €	(22)		0,73		0,76
Average number of outstanding shares in thousands			3,695		3,388

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2008

	Subscribed capital (7)	Capital reserves (7)	Accumulated earnings (7)	Supplementary item from minority interests (7)	Total
	€k	€k	€k	€k	€k
As of Jan. 1, 2008	**9,446**	**3,459**	**11,700**	**15,619**	**40,225**
Consolidated net profit	0	0	2,715	0	2,715
Dividend payment	0	0	-1,109	0	-1,109
Change in supplementary item from minority interests (7)	0	0	0	-77	-77
As of Dec. 31, 2008	**9,446**	**3,459**	**13,306**	**15,542**	**41,754**

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2007

	Subscribed capital (7)	Capital reserves (7)	Accumulated earnings (7)	Supplementary item from minority interests (7)	Total
	€k	€k	€k	€k	€k
As of Jan. 1, 2007	**8,590**	**7**	**9,784**	**15,436**	**33,817**
Consolidated net profit	0	0	2,588	0	2,588
Dividend payment	0	0	-672	0	-672
Capital increase (7)	856	3,452	0	0	4,308
Change in supplementary item from minority interests (7)	0	0	0	183	183
As of Dec. 31, 2007	**9,446**	**3,459**	**11,700**	**15,619**	**40,225**

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period of January 1 – December 31, 2008, acc. to IASB (E)

	Jan. 1, 2008 – Dec. 31, 2008	Jan. 1, 2007 – Dec. 31, 2007
	€k	**€k**
Group net income before taxes	4,446	3,115
Adjustments for:		
Depreciation of fixed assets	4,082	3,804
Other non-cash outgo/income (+/-)	28	41
Financial income	-77	-94
Interest expenses	3,217	3,421
Minority interest profit	551	731
Non cash loss/profit (+/-) from disposal of fixed assets	88	272
Operating result before changes to working capital	**12,335**	**11,290**
Increase/decrease (-/+) in short-term assets:		
Inventories	42	124
Trade receivables	502	-140
Other assets, prepaid expenses	-3,984	-121
Increase/decrease (+/-) in liabilities:		
Trade payables	3,279	103
Other liabilities	-190	760
Increase/decrease (+/-) in accruals:		
Other accruals	38	-468
Net cash from operating activities (before interest payment)	**12,022**	**11,548**
Interest paid	-2,997	-3,212
Interest received	77	94
Disbursement to minorities	-617	-595
Taxes on income paid	-763	-212
Net cash from operating activities	**7,722**	**7,623**

(to be continued ...)

	Jan. 1, 2008 – Dec. 31, 2008	Jan. 1, 2007 – Dec. 31, 2007
Net cash from operating activities	**7,722**	**7,623**
Proceeds from disposal of fixed assets	83	2
Disbursements for additions to fixed assets	-8,565	-5,734
Disbursements for additions to plan assets	-79	-78
Net cash used in investing activities	**-8,561**	**-5,810**
Dividend payment	-1,109	-672
Capital increase	0	4,236
Acceptance of interest-bearing liabilities	0	2,500
Settlement interest-bearing liabilities	-4,000	-350
Acceptance/settlement (+/-) of bank liabilities	6,190	-6,922
Settlement of finance leasing	-509	-532
Net cash from financing activities	**572**	**-1,740**
Change in cash and cash equivals	-267	73
Cash and cash equivals at beginning of fiscals year	832	759
Cash equivals at the end of fiscal year	**565**	**832**

Consolidated Notes

A. General Data

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (hereinafter 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, 2008 have been prepared in accordance with International Financial Reporting Standards (concisely: IFRS)/International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC)/Standing Interpretations Committee (concisely: SIC). All of the mandatory aforementioned standards and interpretations were complied with in the fiscal year 2008. In line with Section 315a, 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, 2008 and December 31, 2007. The relevant consolidated income statement, consolidated equity statement, consolidated cash flow statement and the notes to the consolidated financial statements cover the periods from January 1, 2008 to December 31, 2008 and from January 1, 2007 to December 31, 2007. The balance sheet dates of the consolidated companies are identical.

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

The present consolidated financial statements complying with the relevant IFRS standards in all respects 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, the consolidated income statement (total cost method), the equity statement and the 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 future amounts may differ from these estimations. The most important assumptions about the future and significant sources of assessment uncertainty (in that they pose a serious risk for the necessity of a substantial adjustment to the book value of property assets and debts in the next fiscal year) as of the reporting date are recorded in the relevant commentary. The use of estimates within the LUDWIG BECK Group are especially critical for the valuation of assets (cf. sub-clauses 4 and 5), stock (cf. sub-clause 7), accruals and deferrals (cf. sub-clause 10) and latent tax (cf. sub-clause 6).

The financial statements shall be released for publication on March 11, 2009. The release shall be effected by the Executive Board.

B. Consolidation Principles

I. Consolidated group

In addition to the parent company, LUDWIG BECK AG, the following companies are included in the consolidated financial statements as of December 31, 2008:

Name	Country of domicile	Shareholding (also voting rights ratio)
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 %
heptus 122. GmbH (future name: LUDWIG BECK Grundbesitz Haar GmbH)	Germany	100.0 %

All the aforementioned companies are controlled by interests in the majority of their voting rights and are therefore fully consolidated.

100.0 % of heptus 122. GmbH (future name: LUDWIG BECK Grundbesitz Haar GmbH) was acquired as a shelf company in the fiscal year. At the date of acquisition the company's original capital (€ 25k) consisted of cash and cash equivalents only. The company will serve the purpose of holding and managing the acquired plot.

II. Consolidated balance sheet date

The consolidated balance sheet of LUDWIG BECK AG was prepared as of December 31, 2008. The consolidated income statement, the equity statement and the cash flow statement include the period from January 1, 2008 to December 31, 2008. 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. The acquisition costs of the investment are offset against the proportionate shareholder's equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden reserves and liabilities were distributed among the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken for the purpose of 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 capital of the Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition, while for all other first-tier and second-tier subsidiaries capital consolidation was undertaken at the time of their foundation.

Within the scope of subsequent consolidation, uncovered hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities.

Other shareholders' minority interests in equity capital and the annual 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 a supplementary item for minority interests in equity. The accounting is in accordance with IAS 32 and IAS 1.

There were no credit balances resulting from other 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 they are to apply in the EU and 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

In the last years, the IASB issued several amendments to the existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The following interpretations and standards were to be applied for the first time in the 2008 fiscal year:

IFRIC 11	"IFRS 2 – Group and treasury share transactions"
IAS 39/IFRS 7	"Reclassification of fixed-income securities"

This standard had no effect.

Starting in 2008 LUDWIG BECK AG has chosen to use the IFRS 8 "operative segment reporting standard". The previous year's data has been adjusted accordingly.

The following standards and interpretations have already been passed by the IASB but will only have to be applied in future fiscal years:

IFRIC 12 "Service concession arrangements"
IFRIC 13 "Customer loyalty programmes"
IFRIC 14 "IAS 19 – The limit on defined benefit assets, minimum funding requirements and their interaction"

In addition, the following amendments and adjustments come into force in 2009; IAS1, IAS 23, IAS 27, IAS 32, IAS 39, IFRS 1, IFRS 2, IFRS 3, IFRIC 15, IFRIC 16 and IFRIC 17.

The Group assumes that these changes have no significant effect on the information provided in the notes.

3. Currency translations 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 at the balance sheet date.

4. Intangible assets

In accordance with IAS 38, acquired intangible assets are capitalized at acquisition cost and amortized in scheduled amounts over their expected useful lives using the straight-line method (pro rata temporis).

Non-scheduled write-downs were not made.

Concessions, industrial rights and similar rights and values and licenses in such other rights and values
These concern licenses and purchases or rather 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.

The brand name "Beck" (€ 2,039k) has been included under "concessions, industrial and similar rights and values and licenses in such rights and values", as it represents an identified brand name according to IAS 38. In line with the application of this standard, the scheduled amortization of the 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. By December 31, 2008 there was no indication of any impairment in value of the brand name.

5. Property, plant and equipment

With the exception of land and buildings, property, plant and equipment is carried at acquisition or production cost including any ancillary expenses, according to IAS 16.

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. 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 the fixed assets are written down in scheduled amounts (pro rata temporis) over their useful life (possibly limited by shorter leases) using the straight-line method.

Depending on the assets, the following useful lives are applied:

Buildings	10 - 40 years
Buildings including buildings on third party land	10 - 40 years
Other fixtures and fittings, tools and equipment	3 - 10 years

Non-real estate assets below a value of € 150.00 are fully reported with effect on expenses in the year of acquisition. Non-real estate assets up to a value of € 150.00 and below € 1,000.00 are pooled in the year of acquisition and depreciated of a useful life period of 5 years using the straight line method.

In the fiscal year the fixed assets of two branches had to be fully and additionally of one further branch partially written down due to permanent diminution in value. The reasons for fully writing down the fixed assets of two branches in the previous year due to permanent diminution in value continued to exist in the fiscal year.

Payments on account for assets under construction are capitalized with the amount paid.

Maintenance costs are expensed in the respective period.

Leasing

In cases in which a leasing agreement qualifies as finance lease within the meaning of IAS 17, the leased object is capitalized in the balance sheet; payment obligations regarding future leasing rates are carried as liability under the financial debt. Categorization as finance leasing implies that depreciation charges in relation to the useful life of the leased object and finance expenses are carried in the consolidated income statement.

6. Deferred taxes

Deferred taxes are calculated according to the balance sheet oriented liability method (IAS 12). This requires deferred taxation items 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 can be utilized.

In calculating deferred taxes, the tax rate of 32,975 % applicable to LUDWIG BECK AG as of the year 2008 was applied. For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, the tax rate of 15,825 % (corporate tax and solidarity surcharge), applicable as of the year 2008 was applied to the 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 interests.

Deferred tax assets and liabilities were offset in accordance with IAS 12.74.

7. Inventories

In accordance with IAS 2, raw material, supplies and merchandise are always valued at acquisition cost. The FiFo principle 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 (marketability). In addition, lump-sum reductions for cash discounts were recognized. The cost of external capital was not capitalized.

8. Receivables and other assets

Trade receivables are carried at net book values which usually equal nominal values before valuation allowances. Doubtful receivables and recognizable risks are covered by appropriate valuation allowance; bad debts are written off.

Other receivables and assets are carried at net book values. There are no recognizable risks requiring valuation allowance.

The prepaid expenses only consist of prepaid operating expenses.

The book values of receivables and other assets correspond to their fair values.

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. The market value is equivalent to the book value. There are no non-payment risks.

The cash disposition of LUDWIG BECK is based on the offset amounts of current account credits and liabilities. Current account liabilities are not considered as due at call.

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 obligations. The valuation is based on the probable amount.

Long-term non-interest bearing accruals are discounted at their cash values.

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

Financial liabilities

Liabilities are always carried at net book values. In view of short terms or basically unchanged market interest rates since the date of borrowing, there are no major differences between fair values and book values except one interest-free liability. The fair value of this liability is shown under 10 d).

Long-term interest-free liabilities are discounted at cash values.

The resulting outcome has been included in the financial results. IAS 17 cf. No. 5 has been taken as the basis for the reporting of financial debt from leasing activities.

Trade liabilities

Trade liabilities are always carried at net book values which basically equal current values. Most of these fall due within one year. Other financial liabilities are carried at repayment values. They comprise a variety of individual items. There are no major differences between balance sheet values and current values.

12. Maturities

Asset and liability items with a term of less than one year were recognized as "short-term". Assets and liability items with a term of more than one year were recognized as "long-term".

13. Revenue recognition

Revenue is recognized from the sale of goods when the goods are delivered. Revenue from rendering services is recognized when the service is performed. Sales revenues are disclosed net of sales tax, discounts and credit notes.

14. 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.

15. Financial instruments

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 of minority shareholders. The accounting principles regarding carrying amounts and valuation of these items are described in the respective 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 receivables and payables at the same time.

Financial risk management

The LUDWIG BECK Group uses a centralized approach to financial risk management for the identification, valuation and control of risk. No significant risks were identifiable as of the reporting date. Up to this date, LUDWIG BECK AG had not adopted any derivatives to limit financial riks, but did so in the course of the fiscal year. Material risks to financial property asset values and debts can be subdivided into liquidity, credit, currency and interest risks.

Liquidity risks

By which is understood the general risk that the LUDWIG BECK Group would not be in a position to meet its obligations to financial accounts payable.

The management is constantly monitoring and planning the necessary liquidity needs by way of current cashflow figures and strategies. Lines of credit and loans are relied on to ensure sufficient liquidity within the business. As of the reporting date, short term credit lines to the value of € 22.0m are available until further notice, of which about 36 % have been taken advantage of through direct utilisation and sureties.

Having compared future cashflow projections and the available credit lines, no liquidity bottlenecks are identifiable. As a rule, risks can only result from a deterioration in the credit situation, or should the management's projected cashflow fall substantially short. The maturity structure of accounts payable is presented under the appropriate balance sheet item.

Credit risk

Credit risk describes the risk of default on financial assets. The LUDWIG BECK Group generates its basic income through cash, credit card and EC card sales. LUDWIG BECK is exposed to the risks of non-payment of receivables to only a very limited extent, as mail order sales are of so much lesser volume than over-the-counter sales. The risks resulting from credit card payments are mainly borne by the credit card providers. Monitoring of EC-card payments is outsourced externally. Mechanisms implemented for the monitoring of cash sales result in low risks for this method of payment. Risks arising from the physical movement of cash, the possibility of fraud and the insolvency of the provider are minimized through these services being distributed between several companies.

Currency risks

With LUDWIG BECK's businesses located exclusively in Germany, very limited mail order sales and all invoicing for incoming goods being in Euro, there are no recognizable currency risks.

Interest risks

Fixed interest is usually agreed for the Company's interest-bearing liabilities. Changes to the market interest rate would only have an effect if these financial instruments were carried at their fair values. Since this is not the case, the reported fixed-interest financial instruments are not subject to interest fluctuation risks within the meaning of IFRS 7.

The current account credit lines utilized as of the balance sheet date and during the year are subject to variable interest rates. Therefore, the development of interest rates affects the financial result.

Sensitivity analyses according to IFRS 7 have been carried out for variable interest bearing financial liabilities with the following results:

If the 2008 market interest level had been on average 100 basis points higher or lower, operating profit would have been € 66k higher or lower.

16. Changes to financial accounting and valuations

Starting in the 2008 fiscal year LUDWIG BECK AG has chosen to use the IFRS 8 reporting standards (previous year: IAS 14). The previous year's operative segment figures have therefore been adjusted to meet the requirements of IFRS 8.

In the previous year profit transfer to minority shareholders were disclosed in the tax results rather than the financial results. Since then (and in part as a result of the IASB's final positioning on the identification of minority shareholders in private companies of a Group) opinion has won over that shares of profit to such minority shareholders is to be disclosed in the financial results. Minority shareholders' shares in profits are reported in the financial results for the 2008 fiscal year. The previous year's disclosure has been adjusted accordingly.

C. 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 items shown in the consolidated balance sheet:

+ Intangible assets
+ Property, plant and equipment

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

Development of fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2008

	Aquisition /manufacturing costs									
	As of Jan. 1, 2008	Additions	Disposals	Reclassifications	As of Dec. 31, 2008	Cumulative depreciation	Book value Dec. 31, 2008	Book value Dec. 31, 2007	Depreciation 2008	Depreciation IAS 36; 2008
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets										
1. Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	1,888	23	52	6	1,865	680	1,185	1,304	147	0
previous year	*1,201*	*687*	*0*	*0*	*1,888*	*584*	*1,304*	*753*	*136*	*0*
2. Brand names	3,399	0	0	0	3,399	1,360	2,039	2,039	0	0
previous year	*3,399*	*0*	*0*	*0*	*3,399*	*1,360*	*2,039*	*2,039*	*0*	*0*
	5,287	**23**	**52**	**6**	**5,264**	**2,040**	**3,224**	**3,343**	**147**	**0**
previous year	*4,600*	*687*	*0*	*0*	*5,287*	*1,944*	*3,343*	*2,792*	*136*	*0*
II. Property, plant and equipment										
1. Land, land rights and buildings, including buildings on third property land	101,984	6,501	1,586	194	107,092	19,987	87,104	82,706	2,261	366
previous year	*100,606*	*2,916*	*1,538*	*0*	*101,984*	*19,278*	*82,706*	*81,787*	*1,925*	*101*
2. Other fixtures and fittings, tools and equipment	16,966	1,886	1,938	10	16,925	10,844	6,082	5,994	1,673	105
previous year	*15,611*	*2,050*	*695*	*0*	*16,966*	*10,972*	*5,994*	*5,890*	*1,744*	*195*
3. Payments on account and assets under construction	210	155	0	-210	155	0	155	210	0	0
previous year	*129*	*80*	*0*	*0*	*210*	*0*	*210*	*129*	*0*	*0*
	119,160	**8,542**	**3,524**	**-6**	**124,172**	**30,831**	**93,341**	**88,910**	**3,935**	**471**
previous year	*116,346*	*5,047*	*2,233*	*0*	*119,160*	*30,250*	*88,910*	*87,806*	*3,669*	*296*
	124,447	**8,565**	**3,575**	**0**	**129,436**	**32,871**	**96,565**	**92,253**	**4,082**	**471**
previous year	*120,946*	*5,734*	*2,233*	*0*	*124,447*	*32,194*	*92,253*	*90,598*	*3,804*	*296*

Intangible assets

Intangible assets only comprise assets acquired on a payment basis.

Intangible assets (industrial property rights and similar rights) include the following:

	Dec. 31, 2008	Dec. 31, 2007
	€k	€k
Software, industrial property rights and similar rights	1,185	1,304
Brand name	2,039	2,039
	3,224	**3,343**

The useful life of user software is 3 - 5 years, in the case of essential software programs 10 years. Software is depreciated pro rata temporis using the straight-line method. The additions during the fiscal year in the amount of € 23k only concerned software programs.

The intangible asset originating from the purchase of the company name "LUDWIG BECK" in 1995 was amortized pro rata temporis in annual amounts of € 170k until December 31, 2003 using the straight-line method. By virtue of the applied IFRS 3, IAS 36 and IAS 38 standards, the annual scheduled amortization of this intangible asset ended on January 1, 2004.

The brand name only concerns the cash-generating unit "Marienplatz Flagship Store". An impairment test is 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 interest rate before taxes of 9 %.

The interest rate has been calculated from the market interest rate plus risk premiums. The cash flows were based on previous years and were extrapolated within the Company's five-year plan. An increase in sales of 1.5 % was assumed. A gross margin of 45 % and cost indexation of 1.5 % were carried.

There was no need to make unscheduled write downs.

Property, plant and equipment

Land, land rights and buildings, including buildings on third party land

Building parts are depreciated over their expected useful lives of 10 - 40 years (pro rata temporis) using the straight-line method. Assets are always depreciated by group companies over an expected useful life of 10 years (pro rata temporis or as applicable over shorter rental contract terms using the straight-line method..

Of the additions in the amount of € 6,501k in the fiscal year 2008, € 3,610k concern the acquisition of real estate in Munich-Haar, and € 2,891k were basically applied to the building at Marienplatz.

Real estate at Marienplatz

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 at initial consolidation over 30 years in annual rates of € 118k (December 31,2008: € 2,664k). For the valuation of land at initial consolidation of Feldmeier GmbH & Co. Betriebs KG in 2001, hidden reserves amounting to € 66,661k were uncovered. For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and the development of guideline land prices between 1998 and 2000 were considered.

The property at Marienplatz is burdened with mortgages for reported interest-bearing liabilities in the amount of € 35,088k.

Real estate and property Munich-Haar

The group operates a logistics center in Munich-Haar which is required for operations. The real estate on which the logistics center is situated was acquired by heptus 122. GmbH at € 3,610k plus side costs in the fiscal year 2008. heptus 122. GmbH is a 100 % subsidiary of LUDWIG BECK AG.

The property at this location at Munich-Haar is subject to a real estate leasing agreement qualifying as finance leasing, since the term of leasing agreement approximately corresponds to the useful life of the leased object, and basically all chances and risks were transferred to LUDWIG BECK AG by the lessor. The building was capitalized and will be depreciated over a useful life period of 29 years. This concerns a sale and lease-back transaction which expires in 2014. There is no free command over the existing building because of legal questions of ownership.

The carrying value of the Haar property, including preceding costs incurred, developed as follows in the fiscal year 2008:

As of January 1, 2008	€k	2,872
Depreciation 2008	€k	234
As of December 31, 2008	€k	2,638

Other fixtures and fittings, tools and equipment

The assets listed under this item are all depreciated (pro rata temporis) over a useful life of 3 to 10 years using the straight-line method.

The additions in the fiscal year 2008 amounting to € 1,886k in aggregate mainly concern fixtures at the flagship store at Marienplatz.

Payments on account and assets under construction reduced by € 55k to € 155k as compared with December 31, 2007.

Finance leasing

Other fixtures and fittings, tools and equipment include leasing objects representing finance leases as the lease terms are approximately the same as the useful lives of the leased objects and all major risks and opportunities connected with the objects were transferred LUDWIG BECK AG by the lessor. These leased objects have been capitalized and will be depreciated over their customary service lives. There is no free command over leasing objects.

The carrying values of the leased objects developed as follows in 2008:

As of January 1, 2008	€k	507
Depreciation 2008	€k	177
As of December 31, 2008	€k	330

Impairment

The Company defines each branch as well as the flagship store at Marienplatz as cash-generating unit (CGU) within the meaning of IAS 36. The negative business development of any one of these CGUs will necessitate the carrying out of an impairment test as described by IAS 36. As part of which all the branch's future cash flow is estimated and discounted at a 9 % rate of interest (calculated from market interest rates plus risk premium).

Impairment tests carried out in 2008 led to the complete write off of the fixed assets of the Riem branch and to the partial write off of the Augsburg branch's fixed assets. The scale of the write offs was € 471k.

The reasons for fully writing down the fixed assets of two branches in the amount of € 296k in the previous year due to permanent diminution in value continued to exist in the fiscal year.

(2) Deferred taxes

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

	Dec. 31, 2008		Dec. 31, 2007	
	Asset	Liability	Asset	Liability
	€k	€k	€k	€k
Building	14		17	
Tenant loans	159		149	
Loss carried forward	1,745		2,968	
Leasing		150		102
Other accruals		62		62
Brand name		647		635
Non interest-bearing liabilities		38		51
Land		2,747		2,747
Property, plant and equipment	129			17
Other		20		1
Sum total	**2,047**	**3,664**	**3,134**	**3,615**
Net balance of deferred taxes	-968	-968	-934	-934
Total stated in consolidated balance sheet	**1,079**	**2,696**	**2,200**	**2,681**

Deferred tax assets were 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 profits will be available against which the unused tax losses 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 in expected in the future. Over 90 % of deferred tax assets on loss carry forward result from LUDWIG BECK AG. In aggregate deferred taxes on trade and corporate tax carry forwards amount to € 1,745k (previous year: € 2,968k).

The deferred taxes for buildings (€ 14k), other accruals (€ 62k), leasing (€ 150k), non-interest-bearing liabilities (€ 38k), tenant loans (€ 159k) and property, plant and equipment (€ 129k) have resulted exclusively from temporary differences between the tax balance sheet and the IFRS balance sheet of the respective company (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).

Deferred tax liabilities were formed (€ 2,747k) for a "quasi-permanent" difference between the valuation of the real estate in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the IFRS balance sheet. Deferred tax liabilities (€ 647k) were also formed for the "quasi-permanent" difference between the valuation of the "LUDWIG BECK" brand name in the IFRS balance sheet and the valuation in the tax balance sheet.

(3) Other assets (long-term)

	Dec. 31, 2008	Dec. 31, 2007
	€k	€k
Loans to employees	13	34
Rent prepayments (deferred income)	143	143
	156	**177**

The deferred income item for rent prepayments (€ 143k) is to be released as of June 30, 2036. Rent prepayments will be offset against the last rent payment to the contractual partner upon termination of the lease agreement.

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, 2008	Dec. 31, 2007
	€k	€k
Raw material and supplies (at cost)	158	161
Merchandise (at cost)	10,203	9,736
less impairment of merchandise	*-1,291*	-785
	9,070	**9,112**

The disclosed carrying amounts correspond to market values. All maturities are less than one year.

All merchandise is carried at cost minus possible impairments. Appropriate deductions to the lower realizable net value are made for old stocks and goods of reduced salability (marketability). In addition, lump-sum reductions for cash discounts were recognized.

In the reporting period inventories (without write-down to going concern value) in the amount of € 44,330k were carried as expense.

(5) Receivables and other assets (short-term)

Receivables and other assets comprise the following:

	Dec. 31, 2008	Dec. 31,2007
	€k	€k
Trade receivables	904	1,406
Other assets	4,498	495
Deferred items	105	104
	5,507	**2,005**

The disclosed carrying amounts correspond to market values. All maturities are less than one year. There are no risks of default as of record date.

Trade receivables (short-term)

Trade receivables contain the following:

	Dec. 31, 2008	Dec. 31,2007
	€k	€k
Total receivables	904	1,434
less allowances	0	28
Inventory of receivables	**904**	**1,406**

Allowances of the previous year refer to expected bad debts. Due to the sale of receivables from reversed debit items to a collection agency, allowances reduced by € 28k to € 0k in comparison to last year.

There were no further loss risks or hedging activities.

Other assets (short-term)

Other short-term assets consist of the following:

	Dec. 31, 2008	Dec. 31, 2007
	€k	€k
Trust fund receivables	3.610	0
Debit-side creditors	158	108
Other	730	387
	4.498	**495**

The remaining assets essentially comprise rent receivables (€ 238k) and cost-sharing/ cost-refund claims (€ 249k).

The LUDWIG BECK Group paid € 3,610k into a trust fund (notary trust account) in December as full payment for the purchase of a plot of land. Payments to a trust fund have no debt-discharging effect, thus the associated liability may not be written off. The asset value will be balanced as claim for performance from the trust fund on the due date. The debt resulting from the purchase is accounted for under liabilities for accounts payable.

Prepaid expenses

Prepaid expenses concern various expenses representing costs incurred for a specific period after the consolidated balance sheet date in the amount of € 105k (previous year: € 104k).

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances. This item also represents the corresponding financial instruments of the cash flow statement according to IAS 7, whereas the balance of current account credits and current account liabilities is reported.

Cash and cash equivalents contain the following items:

	Dec. 31, 2008	Dec. 31, 2007
	€k	€k
Cash-in-hand	404	588
Bank balances	166	1,099
	570	**1,687**

Bank balances receive interest between 1.5 % and 3.6 % p.a. as of effective date. Cash-in-hand is not subject to interest. There are no hedging activities.

(7) Shareholders' equity

As regards the presentation of changes to the shareholders' equity in the fiscal year 2008, we refer to the equity statement.

The Company's principal capital management objectives are as follows:

+ Safeguarding ongoing financing and liquidity
+ Adequate interest on equity
+ Ensuring befitting credit rating

The principal objective of capital management is the control of liquid funds and debt capital, whereas the provision of sufficient liquidity for the financing of planned investments and the ongoing business is paramount.

The Group monitors equity by means of various equity key figures such as equity ratio and return on equity. For the determination of the equity ratio the economic equity is put in relation to the balance sheet total. The economic equity of the LUDWIG BECK Group corresponds to the balance sheet equity.

Neither LUDWIG BECK AG nor one of its consolidated subsidiaries is subject to external minimum capital requirements.

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as of December 31, 2008 (December 31, 2007: 3,695,000). The no-par shares are issued to bearer. The share capital was paid up in full. In the fiscal year 2008 3,695,000 were outstanding on average. All ordinary shares are eligible for the distribution of profit as determined by the AGM. In the 2008 business year dividends to the value of € 1,109k were paid out for 2007.

In the fiscal year, the subscribed capital amounted to € 9,446k (previous year: € 9,446k).

All LUDWIG BECK shares in circulation in the 2008 fiscal year were issued and fully paid up.

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 had been authorized to issue these bonds the resolution passed at the AGM on May 30, 2005. Up to now no convertible bonds have been issued.

Authorized capital

The AGM on May 30, 2005 authorized the Executive Board to increase the Company's share capital with the approval of the Supervisory Board by up to € 4,290,000.00 (authorized capital), through to May 30, 2010 by issue of new no-par bearer shares (ordinary shares) in return for stock or cash, in one or several tranches. At its meeting on November 23, 2007, the Executive Board resolved to partly utilize the authorized capital and increase the capital by € 856,413.90. After the capital increase the remaining authorized capital is € 3,433,586.10. No changes were effected in the fiscal year 2008.

Reserves

	Dec. 31, 2008	Dec. 31, 2007
	€k	€k
Revenue reserves	11,387	10,544
Capital reserves	3,459	3,459
	14,846	**14,003**

Revenue reserves

As of January 1, 2008	€k	10,544
Additions	€k	843
As of December 31, 2008	€k	11,387

The statutory reserve constituted the required € 852k (previous year: € 852k) and is disclosed under "revenue reserves".

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

Capital reserve

In the reporting year the capital reserve amounted to € 3,459k (previous year: € 3,459k).

Balance sheet profit

Consolidated profit	€k	2,715
Accumulated profit	€k	1,156
Dividend payment	€k	-1,109
Transfer to/from reserves	€k	-843
Balance sheet profit, December 31, 2008	**€k**	**1,919**

Supplementary item from minority interests

As of January 1, 2008	€k	15,619
Change	€k	-77
As of December 31, 2008	€k	15,542

The supplementary item from minority interests is the result of the details under (8). This amount is equal to the share claim of Feldmeier GmbH & Co. Betriebs 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 size of the deferred item complies on the one hand with the amount of debits as of the due date, and with contractual compensation entitlements of the coroporate share. The compensation entitlement is basically affected by the balancing value of the Marienplatz real estate. This value is contractually specified and rises from 2010 onwards. This will lead to a reduction in the value of the deferred item and, at the same time, to an increase in the entry "potential minority compensation entitlement".

Notifications pursuant to Section 21 par. 1 German Securities Trading Law (WpHG)

The shareholder structure of LUDWIG BECK AG as of December 31, 2008 is as follows:

Rudolf Wöhrl AG, Nürnberg	27.0 %
ATON GmbH, Fulda	25.3 %
INTRO Verwaltungs GmbH, Reichenschwand	10.0 %
Free float	37.7 %

In the fiscal year 2008 no notifications pursuant Section 21 par. 1 WpHG were received by LUDWIG BECK AG.

(8) Potential compensation claim of minority shareholders

IAS 32 governs the classification of financial instruments. A distinction between equity instruments and financial liabilities must be made according to which shares of capital of partnerships not always represent equity capital like in the case of HGB but are financial instruments that need to be classified.

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 not 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 € 8,825k would result from the underlying company agreement on the balance sheet date (previous year: € 8,813k). 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.

The articles of association provide an ordinary right of termination with an earliest date of December 31, 2030. No expulsion of minority shareholders is anticipated in the long term, and thus also no potential compensation entitlement payment.

(9) Accruals

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

	As of Jan. 1, 2008	Use	Release	Additions	As of Dec. 31, 2008
	€k	**€k**	**€k**	**€k**	**€k**
Maintenance obligation	537	0	0	38	575
Previous year	*1,005*	*0*	*514*	*46*	*537*

Maintenance obligations

This accrual concerns a maintenance obligation from a lease and was formed on the basis of an expert opinion. It mainly concerns deconstruction obligations upon termination of the lease. The amount of the obligation was estimated as of the present date of performance. The value set down in the expert opinion was extrapolated on the basis of an average construction cost increase of 3 % and discounted at an interest rate of 5.5 %. To the extent this estimation is not to be adjusted in the coming years, this accrual will be compounded proportionally.

Accruals for pension and similar commitments

Accruals for pension commitments are established for employee benefit schemes p providing for retirement, disability and surviving dependants' benefits if the pension plan it to be qualified as performance-oriented plan according to IAS 19.

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 so-called 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 Group assumes that no pension obligations will be due in the next 12 months.

The policy is a qualifying insurance policy within the meaning of IAS 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:

	2008	2007
	€k	€k
Cash value of pension obligations as of the balance sheet date	1,000	1,026
Positive plan assets (-)	-1,109	-1,007
Actuarial profits (+)/losses (-) not shown in the balance sheet	90	-19
Balance sheet value of pension obligations	**-19**	**0**

As of December 31, 2008 no accruals for pension obligations had to be formed.

The pension obligation cash value was € 1,127k in 2006 and € 1,351k in 2005. Plan assets amounted to € 928k in 2006 and € 747k in 2005.

As of December 31, 2008 positive plan assets exceeded the cash value of pension obligations. Pursuant to IAS 19.58 b) ii) the excessive amount is only to be reported at the cash value of future utilization benefits to the company. These benefits could materialize as reduced contributions, refund of contributions or other benefits. On account of the relevant contractual terms and conditions concerning plan assets, the company is not expecting utilization benefits from excessive plan assets as per the balance sheet date. Therefore the excessive positive assets or any other utilization value are not capitalized.

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

	2008	2007
	%	%
Discount factor	5.75	5.25
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 € 90k (previous year: € 19k).

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

	2008	2007
	€k	€k
Current service cost	28	32
Amortization of actuarial losses	0	10
Interest cost	54	51
	82	**93**

The Group assumes a service cost of € 27k and interest expenses of € 57k for the 2009 fiscal year. Payments into plan assets are expected to remain unchanged.

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

	2008	2007
	€k	€k
Balance sheet value of pension commitments at the beginning of the year	0	-14
Cost during fiscal year	82	93
Contributions to plan assets	-79	-79
	3	**0**

(10) Liabilities

			of which due	
	Total	within one year	between 1 and 5 years	over 5 years
	€k	€k	€k	€k
1. Liabilities to banks	44,685	8,217	6,997	29,470
previous year	*39,342*	*3,108*	*6,151*	*30,083*
2. Trade liabilities	5,205	5,205	0	0
previous year	*1,926*	*1,926*	*0*	*0*
3. Tax liabilities	403	403	0	0
previous year	*571*	*571*	*0*	*0*
4. Other liabilities	8,805	4,808	1,941	2,056
previous year	*13,338*	*9,080*	*1,846*	*2,412*
- of which taxes: € 1.519k (previous year: € 1.551k)				
- of which social security: € 0k (previous year: € 0k)				
Dec. 31, 2008	**59,097**	**18,633**	**8,938**	**31,526**
previous year	*55,177*	*14,685*	*7,997*	*32,495*

Debt issues (€ 33,623k) referring to the "Marienplatz" property are secured as follows:

Mortgages Hypothekenbank Hannover	€k	31,512
Mortgages Buchanan Capital Partners II GbR	€k	3,400
Guaranties of minority shareholders	€k	176

Other liabilities to banks of € 13,046k are not secured as of December 31, 2008.

Fixed interest rates for a part of the real estate financing (currently short and long-term: € 31.512k) are carried out at an annual rate of 4.05 % for an initial period of 5 years and 6 % for an initial period of 20 years. No derivate (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 4.2 % and 6.7 %. A non-interest bearing loan (nominal value: € 176k) is discounted at 5.5 % (€ 49k) and has a book value as of December 31, 2008 of € 127k.

10 b) Liabilities to banks (short-term)

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

	Dec. 31, 2008	Dec. 31, 2007
	€k	**€k**
Loans	2,967	2,253
Overdrafts	5,250	855
	8,217	**3,108**

As of December 31, 2008, there were current account credit lines of € 22,000k in total, which bore interest at market rates when utilized.

The interest rates for loans were between 4.2 % and 6.7 % and for overdrafts between 2.9 % and 5.6 %.

10 c) Trade liabilities

Trade liabilities in the amount of € 5,205k (previous year: € 1,926k) are carried at their repayment values. 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.

The price obligation as of the appointed date of € 3,610k for the purchase of the Munich-Haar property is included in this item. Payment is due in January 2009. The purchase price was already paid into a trust fund as of the reporting date.

10 d) Other liabilities (long-term)

	Dec. 31, 2008	Dec. 31, 2007
	€k	**€k**
Leasing	2,013	2,441
Loan Buchanan Capital Partners II "Marienplatz" GbR	1,984	1,817
	3,997	**4,258**

The loan from Buchanan Capital Partners II "Marienplatz" GbR has a term until December 31, 2014. Due to an interest rate diverging from the level in market, the fair value of this liability amounts to € 2,235k (previous year: € 2,038k).

10 e) Other liabilities (short-term)

	Dec. 31, 2008	Dec. 31, 2007
	€k	**€k**
Wage and sales taxes	1,519	1,606
Purchase vouchers	889	861
Leasing	428	570
Personnel expense	958	871
Audit and tax declaration fees	187	213
Accruals (accrued liabilities)	827	959
Loan from Schweizer Leben	0	1,500
External capital	0	2,500
	4,808	**9,080**

Summarised presentation of long-term and short-term finance leasing liabilities

	Total	within one year	of which due between 1 and 5 years	over 5 years
	€k	€k	€k	€k
1. Minimum leasing payments	2,759	537	2,150	72
previous year	*3,464*	*703*	*2,150*	*611*
2. Interest	318	109	207	2
previous year	*453*	*133*	*304*	*16*
3. Amortization	2,441	428	1,943	70
previous year	*3,011*	*570*	*1,846*	*595*

In the fiscal year 2008, liabilities from finance leasing developed as follows:

Cash value, January 1, 2008	€k	3,011
Leasing rates 2008	€k	-643
Interest cost 2008	€k	133
Repurchase value of leased objects 2008	€k	-61
Cash value, December 31, 2008	**€k**	**2,441**

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 mainly within the scope of rental agreements concerning branches of the Group; they are shown under "Other financial obligations".

10 f) Tax liabilities

Income tax liabilities amounted to € 403k (previous year: € 571k) as of December 31, 2008.

(11) Deferred taxes (liability-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

	2008	2007
	€k	€k
Sales revenues	86,206	86,984

Sales revenues are explained in more detail in the segment reporting section. With the exception of an amount totaling € 8k (previous year: € 6k), all sales revenues of the LUDWIG BECK Group were generated in Germany.

(13) Other work capitalized

In the fiscal year 2008, own work capitalized amounted to € 219k (previous year: € 164k). This item concerns personnel expenses during refurbishing work at the flagship store in Munich.

(14) Other operating income

The other operating income consists of the following:

	2008	2007
	€k	€k
Rent receipts and on-charged expenditure on office space	1,470	922
Administrative earnings	4	10
Sales proceeds	744	796
Personnel earnings	282	294
Canteen earnings	378	351
Other	440	276
	3,318	**2,649**

The other operative earnings include aperiodic income in the amount of € 214k (previous year: € 30k).

(15) Cost of materials

	2008	2007
	€k	€k
Cost of raw materials, supplies and merchandise	44,836	45,991

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 expense

	2008	2007
	€k	€k
Wages and salaries	14,116	14,236
Social security contributions	2,587	2,624
Pension costs	241	306
	16,944	**17,166**

Pensions:

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 schemes 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 and are older than 25 receive a voluntary pension promise by LUDWIG BECK after a minimum of 5 years of; union-agreed pension claims are offset.

This qualifies as contribution-oriented plan within the meaning of IAS 19.

The cost of these pension obligations amounted to € 173k (previous year: € 219k) in 2008.

A total of 367 employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

The Company gave the Executive Board a commitment for old-age benefits. This commitment qualifies as performance-oriented plan within the meaning of IAS 19.

Expenses from the appropriation to pension accruals are included in the aforementioned sum total of € 82k (previous year: € 93k). For further explanations please refer to sub-clause 9.

(17) Depreciation

For details concerning depreciation and amortization of intangible assets, please refer to the "Development of fixed assets" schedule.

(18) Other operating expenses

Other operating expenses comprise the following items:

	2008	2007
	€k	€k
Cost of office and store space	8,112	7,686
Administration expenses	1,722	1,781
Sales expenses	3,939	3,869
Other personnel expenses	1,188	1,212
Insurance/contributions	195	207
Other taxes	111	111
Other	477	798
	15,744	**15,664**

The aperiodic expenses amounted to € 0k (previous year: € 10k) in the fiscal year.

(19) Financial result

	2008	2007
	€k	€k
Other interest and similar income	77	94
Interest and similar expenditure	3,217	3,421
Other shareholders' interest in the result	551	731
Financial result	**-3,691**	**-4,058**

Other interest and similar income result from interest received on bank balances and interest yields from the performed interest swap transaction in the amount of € 55k (previous year: € 75k). The interest portion for finance leases included under interest expenses amounts to € 133k (previous year: € 164k), for pension commitments to € 54k (previous year: € 51k) and for performed interest swap transactions to € 161k (previous year: € 0k).

(20) Taxes

As a result of the minimum taxation in terms of corporate tax and trade tax, actual income taxes in the amount of € 595k (previous year: € 389k) accrued for 2008

	2008	2007
	€k	€k
Income tax due to minimum taxation	595	389
Fiscal tax audit	0	58
Deferred tax yield due to corporate tax reform and fiscal tax audit	0	-810
Deferred tax expense due to creation and reversal of temporary differences	1,136	889
	1,731	**526**

Deferred tax expense	2008	2007
	€k	€k
From the change in loss carry forwards	1,223	864
From capitalizing finance lease assets	48	48
From temporary differences in the carrying of a tenant loan	-9	-11
From temporary differences in the amortization of the brand name	13	16
From temporary differences in non-interest bearing liabilities	-13	-38
From temporary differences in other accruals	0	41
From temporary differences in the depreciation of fixed assets	-146	-103
From temporary differences in the treatment of capital increase costs	0	72
From non-recurrent adjustment due to corporate tax reform and fiscal tax audit	0	-810
Other	20	0
Total deferred tax expense	**1,136**	**79**

In calculating deferred taxes (corporate income tax, solidarity surcharge, business tax) for temporary differences and loss carry forwards of the LUDWIG BECK Group, a Group-wide tax rate of rounded 33 % is applied, with the trade tax percentage being 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 15.825 %. 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 33 % (corporate tax, solidarity surcharge, trade tax), and the tax expense or income disclosed in the consolidated financial statements according to IFRS:

	2008	2007
	€k	€k
Result before income taxes	4,446	3,114
Theoretical tax rate in %	33	41
Calculated tax expense	1,466	1,277
Change in the calculated tax expense due to:		
- Differences due to deviating tax rates	-17	-46
- Tax yield due to adjustment of corporate tax rate	0	-1,248
- Tax expense due to fiscal tax audit	0	496
- Deviating basis of assessment	282	47
Actual tax expense	**1,731**	**526**

(21) Transfers to/from reserves

Transfers to/from reserves refer only to revenue reserves:

	2008	2007
	€k	€k
Allocation to revenue reserves	843	1,687

(22) 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

	2008	2007
Consolidated net income in €k	2,715	2,588
Weighted number of shares in thousands	3,695	3,388
Earnings per share in € (undiluted and diluted)	0.73	0.76

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

Dividend proposal

The Executive Board and Supervisory Board have proposed the distribution of a dividend in the amount of € 0.30 per share to shareholders with regard to appropriation of profit. This equals a dividend in the amount of € 1,109k.

D. Explanations to Segment Reporting

The following segment reporting complies with IFRS 8 "Operating Segments", which defines the requirements of reporting about the results of a company's operating segments in applying the so-called "Management Approach" which requests a company to report segment information on the basis of the internal reports that are regularly consulted by the so-called "Chief Operating Decision Maker" for the purpose of making decisions about the allocation of resources to individual segments and performance assessment.

The individual departments of the flagship store at Marienplatz and the branches are the defined individual segments for primary reporting. Each individual segment of the flagship store at Marienplatz accounts for less than 10 % thus falling below the quantitative threshold of IFRS 8.13.a).

According to IFRS 8.14. segments may be aggregated in second reporting stage. The conditions for aggregation as set forth in IFRS 8.12. are met.

Secondary reporting concerns the flagship store at Marienplatz including LUDWIG BECK HAUTNAH at the FÜNF HÖFEN and the other branches. Aggregation is made in compliance with the management approach, as individual branches are always separate segments.

The Chief Operating Decision Makers regularly check only those cost elements included in the report on a by segment basis. All other cost elements are only regularly viewed on a whole Group basis.

The segment results differ fundamentally from the Group results in that not all cost elements are included at the segment level. The remaining accounting and valuation methods are consistent with those of the annual consolidated accounts.

Miscellaneous personnel expenses and other costs are items which are not attributable to any single segment.

The consolidated **2008** figures relating to these segments are attributable to the individual segments as follows:

	Marienplatz	Branches	Group
	€k	€k	€k
Sales revenue (gross)	**89,056**	**13,522**	**102,578**
VAT	-14,188	-2,184	-16,372
Sales revenue (net)	**74,868**	**11,338**	**86,206**
Cost of sales	38,679	6,157	44,836
Gross profit	**36,189**	**5,181**	**41,370**
Personnel expense	7,124	1,646	8,770
Costs of occupancy, administration and distribution	12,547	2,327	14,874
Interest	963	120	1,083
Segment result	**15,555**	**1,088**	**16,643**
Other operational income			3,537
Other personnel expense			8,174
Depreciation			4,082
Other expenses			870
Other financial result			-2,608
Income tax			1,731
Consolidated net profit for the year			**2,715**
Segment assets			
Assets	92,194	1,147	93,341
Inventories	7,994	1,076	9,070
Total segment assets	**100,188**	**2,223**	**102,411**

The LUDWIG BECK Group has textile and non-textile product ranges. In the fiscal year 2008 sales in the amount of € 69,916k were generated from the textile product range and € 32,662k from the non-textile product range.

An allowance (according to IAS 36) of € 471k for the branch assets segment was undertaken for the fiscal year.

The consolidated **2007** figures relating to these segments are attributable to the individual segments as follows:

	Marienplatz	Branches	Group
	€k	€k	€k
Sales revenue (gross)	**86,375**	**17,112**	**103,487**
VAT	-13,721	-2,782	-16,503
Sales revenue (net)	**72,654**	**14,330**	**86,984**
Cost of sales	38,170	7,821	45,991
Gross profit	**34,484**	**6,509**	**40,993**
Personnel expense	6,803	1,924	8,727
Costs of occupancy, administration and distribution	12,210	2,783	14,993
Interest	921	139	1,060
Segment result	**14,550**	**1,663**	**16,213**
Other operational income			2,813
Other personnel expense			8,439
Depreciation			3,804
Other expenses			671
Other financial result			-2,998
Income tax			526
Consolidated net profit for the year			**2,588**
Segment assets			
Assets	87,258	1,652	88,910
Inventories	7,905	1,207	9,112
Total segment assets	**95,163**	**2,859**	**98,022**

The LUDWIG BECK Group has textile and non-textile product ranges. In the fiscal year 2007 sales in the amount of € 73.302k were generated from the textile product range and € 30.185k from the non-textile product range.

An allowance (according to IAS 36) of € 296k for the branch assets segment was undertaken for the 2007 fiscal year.

E. Explanations to the Consolidated Cash Flow Statement

The cash flow statement shows how the Group's liquid funds changed during the year 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.

Financial instruments within the meaning of IAS 7.6. et seq. equal the sum of cash-in-hand and short-term bank balances. However, short-term current account surpluses are only allocated to financial instruments to the amount there are no current account liabilities at the balance sheet date; otherwise the items are offset.

No offsets were made, as the Company considers current account overdrafts as daily due and payable. Therefore current account balances and liabilities are offset in the LUDWIG BECK financial instrument disposition.

IAS 7.45 requires the transfer of the relevant balance sheet items to financial instruments:

Liquid funds	€k 570	(compare Clause 6)
net of current account liabilities	€k 5	(compare Clause 10b)
= Financial instruments acc. to IAS 7	€k 565	

LUDWIG BECK AG disposes of credit lines in the amount of € 22,000k, which will also be available in 2009. Current account credit lines were utilized in the amount of € 5,250k plus recourse guarantees as of the balance sheet date.

F. Explanations to the Equity Statement

The equity statement reflects the changes to the 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 no contingent commitments depending on 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		Total commitment	
	2008	2007	2008	2007
	€k	€k	€k	€k
Lease commitments incl. ground rent	6,177	6,369	96,702	91,285
Advertising contribution commitments	170	173	897	1.065

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	6,177	21,984	68,541	96,702
Advertising contribution commitments	170	533	194	897

III. Declaration of conformity according to sec. 161 AktG (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG filed their declaration of conformity according to Section 161 AktG on November 14, 2008. The requirements of the Corporate Governance Code as amended on June 6, 2008 have been met since the last declaration of conformity on November 19, 2007 with the following exceptions:

1. The Executive Board of the Company has no chairman or spokesman (Code Clause 4.2.1 sent. 1).

2. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3).

3. Semi-annual and quarterly reports were not discussed with the Executive Board before publication by the Supervisory Board or the Examination Board.

The declaration of conformity is permanently available to shareholders at the Company's Internet page at **(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.

Each members of the Executive Board has 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 without restrictions.

Executive Board: Dieter Münch
Oliver Haller

Total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft amounted to € 975k (previous year: € 836k) in the fiscal year 2008.

As of December 31, 2008, the members of the Executive Board held 4,469 no-par shares (previous year: 20,000; purchase: 1,200; sale: 16,731).

Individualized details of Executive Board remuneration are included in the remuneration report of the consolidated management report.

Supervisory Board:	Dr. Joachim Hausser, businessman, Munich, Chairman
	Gerhard Wöhrl, businessman, Nuremberg, Deputy Chairman
	Christian Greiner, businessman, Nuremberg (since May 9, 2008)
	Dr. Lutz Helmig, businessman, Fulda
	Gabriele Keitel, commercial clerk, Munich*)
	Felicitas Uhl, salesperson, Unterhaching*) (since April 18, 2008)
	Dr. Eva Annett Grigoleit, lawyer, Berlin, Deputy Chairperson (until May 9, 2008)
	Eva-Maria Stähle, commercial clerk, Weßling*) (until April 18, 2008)

Total remuneration of the Supervisory Board in the fiscal year 2008 amounted to € 83k (previous year: € 83k). Furthermore, D&O insurance policies in the amount of € 3k (previous year: € 3k) have been taken out for each member of the Supervisory Board.

Viscardi AG invoiced € 26k (previous year: € 0k) for Designated Sponsoring. Viscardi AG is to be deemed a related person with regard to Dr. Joachim Hausser

LUDWIG BECK enlisted advisory services to the value of € 85k (previous year: € 139k) from CMS Hasche Sigle Lawyers and Tax Consultants. Dr. Eva Annett Grigoleit works with this law firm.

ATON GmbH, Fulda furnished two low-interest short-term loans of a total of € 2,500k in fiscal year 2007. Both loans were repaid in the 2008 fiscal year. Dr. Lutz Helmig works with this company.

The following members of the Executive Board and Supervisory Board hold seats on supervisory boards or similar executive bodies of further companies:

Dr. Joachim Hausser:

Advisory Council:	GETRAG Getriebe- und Zahnradfabrik
	Hermann Hagenmeyer GmbH & Cie KG, Untergruppenbach
Administrative Council:	Kühne & Nagel Intern. AG, Schindellegi

Mr. Gerhard Wöhrl:

Advisory Board Chairman:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
	TETRIS Grundbesitz Beteiligungs GmbH, Reichenschwand
Advisory Board:	Sparkasse Nuremberg, Nuremberg

*) Worker representative

Mr. Christian Greiner:

Supervisory Board:	Rudolf Wöhrl AG, Nuremberg
Advisory Council:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand

Dr. Lutz Helmig:

Supervisory Board Chairman:	EDAG GmbH & Co KGaA, Fulda
	EDUCATIONTREND AG, Hamburg
	HAEMA AG, Leipzig

V. Audit fees

The fee of the auditor for the lapsed fiscal year 2008 amounts to € 341k (previous year: € 340k).

The fee for the audit of the consolidated financial statements and the annual financial statements amounted to € 165k (previous year: € 170k). For other authentication or valuation services, an amount of € 0k (previous year: € 22k) has accrued as well as € 13k (previous year: € 48k) for tax consultation and € 163k (previous year: € 100k) for other services.

VI. Personnel

The group members of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG employed an annual average of 538 people (previous year: 544), of which 184 (previous year: 190) were part-time staff and 127 (previous year: 124) temporary staff. Interns were not included in the calculation.

VII. Information according to sec. 297 par. 2 HGB (commercial code)

The Executive Board made the statement required by Section 297 par. 2 Commercial Code (HGB).

Munich, in February 2009

6. Additional Information

6. ADDITIONAL INFORMATION

Corporate Affidavit

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Munich, March 2009

Dieter Münch Oliver Haller

Auditors´ Opinion

We have audited the consolidated financial statements prepared by the LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comprising the balance sheet, the income statement, 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, 2008 to December 31, 2008. 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 paragraph 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.

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 (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 control system 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 of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Paragraph 1 HGB 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 4, 2009

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

ppa. J. Mayer
Wirtschaftsprüfer
(German Public Auditor)

J. Zimmermann
Wirtschaftsprüfer
(German Public Auditor)

Addresses & Opening Hours

LUDWIG BECK
"Store of the Senses" Munich

Marienplatz 11
80331 Munich
Tel. +49. 89. 23691-0
Fax +49. 89. 23691-600
info@ludwigbeck.de
Monday - Saturday 10.00 am - 8.00 pm

DICHTUNG & WAHRHEIT (Poetry & Truth) Munich
Burgstraße 2
80327 Munich
Tel. +49. 89. 23691-390
Fax +49. 89. 23691-808
info@ludwigbeck.de
Monday - Saturday 10.00 am – 8.00 pm

GEKNÖPFT & ZUGENÄHT (Haberdasher's) Munich
Burgstraße 7
80327 Munich
Tel. +49. 89. 23691-402
Fax +49. 89. 23691-808
info@ludwigbeck.de
Monday - Saturday 9.30 am – 7.00 pm

LUDWIG BECK HAUTNAH
at the FÜNF HÖFE Munich
Theatinerstraße 14
80333 Munich
Tel. +49. 89. 20604-280
hautnah5hoefe@ludwigbeck.de
Monday - Friday 10.00 am - 7.00 pm
Saturday 10.00 am – 6.00 pm

LUDWIG BECK
at the Riem-Arcaden Munich
Willy-Brandt-Platz 5
81829 Munich
Tel. +49. 89. 95994-670
Fax +49. 89. 95994-896
info@ludwigbeck.de
Monday - Saturday 10.00 am - 8.00 pm

LUDWIG BECK
at the City-Galerie Augsburg
Willy-Brandt-Platz 1
86153 Augsburg
Tel. +49. 821. 5671-980
Fax +49. 821. 5671-989
info@ludwigbeck.de
Monday - Saturday 9.30 am - 8.00 pm

LUDWIG BECK
at the City Center Landshut
Am alten Viehmarkt 5
84028 Landshut
Tel. +49. 871. 43019-465
Fax +49. 871. 43019-466
info@ludwigbeck.de
Monday - Saturday 9.30 am - 8.00 pm

LUDWIG BECK
Fashion outlet Parsdorf/Munich
Heimstettener Str. 1
85599 Parsdorf
Tel. +49. 89. 9047-6067
Fax +49. 89. 9047-6069
info@ludwigbeck.de
Monday - Friday 10.00 am - 7.00 pm
Saturday 10.00 am - 6.00 pm

ESPRIT at the OEZ Munich
Hanauer Straße 68
80993 Munich
Tel +49. 89. 159076-17
Fax +49. 89. 159076-19
info@ludwigbeck.de
Monday - Saturday 9.30 am - 8.00 pm

s.Oliver Regensburg
Maximilianstraße 13
93047 Regensburg
Tel. +49. 941. 5957-190
Fax +49. 941. 5857-199
info@ludwigbeck.de
Monday - Wednesday 10.00 am - 7.00 pm
Thursday - Friday 10.00 am - 8.00 pm
Saturday 10.00 am - 4.00 pm

www.ludwigbeck.com

Imprint

Editor

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG
Marienplatz 11
80331 Munich
Tel. +49. 89. 23691-0
Fax +49. 89. 23691-600
info@ludwigbeck.de
www.ludwigbeck.com

Concept, editing, text and design

esVedra consulting, Munich

Contact

Investor Relations/Financial PR

Metis Tarta-Steck
Tel. +49. 89. 28 80 81-33
Fax +49. 89. 28 80 81-48
mts@esvedragroup.com

Group accounting

Jens Schott
Tel. +49. 89. 23691-798
Fax +49. 89. 23691-600
jens.schott@ludwigbeck.de

Financial Calendar

January 5, 2009
+++ Sales figures 2008 +++

March 11, 2009
+++ Annual financial statements 2008 +++

March 11, 2009
+++ Balance sheet press conference 2009 +++

March 12, 2009
+++ Analysts' conference 2009 +++

April 22, 2009
+++ Quarterly report 2009 +++

May 15, 2009
+++ General Meeting 2009 +++

July 21, 2009
+++ Half-year report 2009 +++

October 21, 2009
+++ Nine months' report 2009 +++

More information about LUDWIG BECK are available on **www.ludwigbeck.com.**

Sign up there for our financial newsletter, in order to receive all information promptly and comprehensively!