



# Consolidated Interim Report

FOR THE 2<sup>ND</sup> QUARTER  
AND THE FIRST SIX MONTH  
OF THE FISCAL YEAR

# 2010

for the Period from January 1 to June 30, 2010



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# Key Figures of the Group

€m	01/01/2010 – 30/06/2010	01/01/2009 – 30/06/2009
Sales (gross)	45.7	44.3
Sales (net)	38.4	37.2
Gross profit <sup>1)</sup>	18.9	18.2
Earnings before interests, taxes on income, depreciation and amortisation (EBITDA)	4.7	3.6
Operational result (EBIT)	3.1	1.7
Earnings before taxes on income (EBT)	1.5	0.0
Net profit or loss for the period	0.9	-1.8
Earnings per share (in €)	0.25	-0.49
Investments	1.3	1.5
Employees (as of 30/06) <sup>2)</sup>	514	516
Apprentices (no.)	45	34

1) Net sales minus cost of materials    2) Without apprentices

## Introduction

LUDWIG BECK's financial reporting is based on the International Financial Reporting Standards (IFRS) and conforms to § 37w Securities Trading Act (WpHG). Generally, the interim report is prepared as an update of the business report focusing on the current reporting period. The Group accounts prepared in addition thereto in accordance with IFRS serve as a fundamental basis for LUDWIG BECK's financial reporting in compliance with IFRS as leading accounting system. Therefore, the interim report should be read together with the IFRS-compliant Group accounts and the business report published for the fiscal year 2009.

## Report on earnings, financial and asset situation

### Earnings situation

#### Macroeconomic development

After a slowdown in the winter months, the cyclical development of the German economy has considerably improved since the spring of 2010. The Kiel Institute for the World Economy (IfW) ascertained that order volumes and industrial production have recently shown strong growth, and the institute is expecting a 5.8 % production rise in the 2<sup>nd</sup> quarter of 2010 as compared to the same quarter of the previous year. On the other hand, risks have increased as well, as the government

debt crisis caused marked uncertainty in financial markets. The high level of public-sector debt in industrialized countries is believed to present the highest risk for economic growth. The buying mood of German consumers is also affected thereby. According to the observations of the Association for Consumption Research (GfK), German consumers have become more and more unsettled by the political discussions around impending austerity packages and the ensuing financial burdens on each individual citizen. The consumer climate has nevertheless remained stable, in particular because the positive development of the labor market – employment agencies reported a fall in unemployment by 0.2 percentage points to 7.5 % – and rising exports brighten economic prospects for citizens. Furthermore, consumers' propensity to buy was boosted by a small economic boom in the wake of the football world cup.

#### Retail trade development

The German retail trade came up against less than optimal conditions in the 2<sup>nd</sup> quarter. High-profit Easter sales had mostly occurred in March. The long-lasting cold and rainy weather period extending far into May did not really stimulate buyers' desire for summer fashion. However, stable consumer sentiment compensated for these challenging general conditions. According to TW-Testclub, the most frequented panel in German textile retail trade, the German fashion trade concluded the 1<sup>st</sup> half of 2010 with a plus of 2 %.

## Development of sales of LUDWIG BECK

The LUDWIG BECK Group continued its success story in the 1<sup>st</sup> half of the year 2010 and recorded 3.2 % increase in gross sales, which came to € 45.7m (previous year: € 44.3m) in the first six months. With sales amounting to € 40.1m (previous year: € 38.5m) – corresponding to 4.0 % rise in comparison to the previous year – the flagship store at Marienplatz (incl. FÜNF HÖFE) contributed to the peak results.

## Earnings situation

In the 1<sup>st</sup> half of the fiscal year 2010 the LUDWIG BECK Group achieved 3.8 % increase in gross profit which went from € 18.2m in the previous reporting period to € 18.9m. The gross profit ratio could be raised 0.3 percentage point and went up to 49.3 % as compared to 49.0 % in the previous year.

The cost management was further optimized. The expense ratio (expenses against corresponding proceeds) dropped 3.1 percentage points to 41.2 % (previous year: 44.4 %) in the 1<sup>st</sup> half of 2010. The absolute amount of expenses against corresponding proceeds was € 15.8m (previous year: € 16.5m).

EBIT skyrocketed 79.6 % above the level of the same period last year, and went from € 1.7m to € 3.1m in the first six months of 2010. The EBIT margin was 8.1 %, reflecting a rise of 3.4 percentage points in comparison to the previous year's 4.6 % result. The clearest increase could be achieved with earnings before taxes on income (EBT). EBT rose € 1.4m from € 0.03m to € 1.5m. The EBT margin was 3.9 % (previous year: 0.1 %).

The net profit for the period for the 1<sup>st</sup> half of the year amounted to € 0.9m (previous year: € -1.8m). Since tax-relevant loss carryforwards had lapsed according to Section 8c Corporate Income Tax Act (KStG) due to the change of control of the LUDWIG BECK Group of more than 50 %, the result of the previous year had been burdened with the non-recurring amount of € -1.7m.

## Financial situation

### Cash flow

The cash flow from operating activities in the amount of € 1.4m remained on last year's level (€ 1.4m) in the 1<sup>st</sup> half of 2010. The cash outflow used in investing activities dropped € 1.3m in the reporting period thus falling slightly short of last year's level of € 1.5m. The moderate decline was mainly owed to less investment activities in the 2<sup>nd</sup> quarter of 2010. Due to the positive liquidity situation of the LUDWIG BECK Group owing to the good results achieved in the fiscal year 2009 and the 1<sup>st</sup> half of 2010, the cash flow from financing activities amounted to € -2.3m as compared to € 0.2m cash flow in the same period last year.

### Asset situation

#### Balance sheet structure

The balance sheet total of the LUDWIG BECK Group amounted to € 106.5m as per June 30, 2010 (December 31, 2009: € 109.3m). Aggregate long-term assets in the amount of € 94.9m accounted for the largest share (December 31, 2009: € 95.2m). The principal asset side item concerned tangible fixed assets worth € 91.8m (December 31, 2009: € 92.0m), mainly consisting of the real estate at Marienplatz in Munich.

Short-term assets in the amount of € 11.6m fell beyond last year's level which had settled at € 14.1m on December 31, 2009. Inventories in the value of € 8.5m only slightly exceeded the volume at the balance sheet date December 31, 2009 (€ 8.3m). Cash and cash equivalents amounted to € 2.1m at the end of the reporting period and were below the value of € 4.4m recorded for the previous year.

The equity ratio was slightly increased in comparison to the balance sheet date of the previous year and reached 39.5 % (December 31, 2009: 39.1 %). The company's equity capital was € 42.1m (December 31, 2009: € 42.8m).

The Group's aggregate liabilities could be cut € 2.4m as a result of the Group's favorable economic development and amounted to € 55.2m (December 31, 2009: € 57.6m).

## Employees

In the 1<sup>st</sup> half of 2010 the number of employees (without apprentices) was 514 in accordance with Section 267 par. 5 Commercial Code (HGB) (previous year: 516). The weighted number of full-time employees at group level also dropped slightly to 352 (previous year: 358). At the relevant date June 30, 2010, 45 apprentices were employed by LUDWIG BECK (previous year: 34).

## Risk report

Within the scope of its activities in the sales markets, the LUDWIG BECK Group is exposed to various risks connected with entrepreneurial transactions. A detailed description is contained in our current annual report for the year 2009 (page 62 et seq.). It can also be found on our website [www.ludwigbeck.com](http://www.ludwigbeck.com) in the Investor Relations section under Financial Publications.

## Forecast report

### Business and general conditions

The economic prospects for Germany are estimated to be "ambivalent" by the Federal Association of German Banks. Even if the economic data indicates a noticeable enhancement of general economic performance and gives reason to expect robust growth in the summer months, it seems conceivable that the world economy is heading towards another slowdown at the end of the year. The financial policy of consolidation forged by the Euro countries as a result of the debt and Euro crisis is expected to dampen economic growth in the months to come. The Federal Associ-

ation of German Banks anticipates 1.5 % economic growth for the fiscal year 2010. A similar development is expected for the next year as well.

### Development of retail trade

In the course of the year 2010 up to date, the development of retail sales has moved along the lines of the expectations of the German Retail Federation (HDE) which still adheres to its annual forecast and expects nominal turnover to remain on last year's level (actual turnover: -0.5 %).

### LUDWIG BECK 2010

The 1<sup>st</sup> half of 2010 was marked by extraordinary successes for the LUDWIG BECK Group. The development of sales clearly exceeded the company's expectations. Therefore, the management is looking optimistically into the future and is confident that the development of the record year 2009 can even be topped, and the year 2010 concluded with yet another peak result.

Endeavors will focus on the "Store of the Senses" at Marienplatz in Munich, the place where approximately 90 % of sales are generated. There – at one of Europe's most attractive locations – the flagship store of the tradition-rich company has existed for almost 150 years and has established itself as a popular "shopping oasis" which became renowned far beyond the boundaries of Munich. The formula for success even in times of economic instability is the consequent implementation of the "trading up" strategy – in addition to the excellent location at the center of Munich and the very special atmosphere created by well trained and highly motivated staff. In line with this philosophy the product offer is constantly expanded and upgraded to include national and international top labels which often are exclusively available at LUDWIG BECK. Sales rooms are carefully adjusted to the exclusive ambience and redesigned on an ongoing basis. The "latest" department in this sense is the department for designer fashion on the 3<sup>rd</sup> floor where elegant catwalk collections have been stylishly staged on 1.400 sqm since February 2010. Like in the past, stringent cost management will play an important role also in the

future. Consequently, for the purpose of further optimization, the branch in Landshut will be closed in the 2<sup>nd</sup> half of the year. The fashion outlet in Parsdorf will also be shut down as per July 31, 2010 after an amicable solution has been negotiated with the landlord.

The LUDWIG BECK Management being convinced that these measures will optimally prepare the company for the future confirmed its upgraded forecast of July 13, 2010 on the basis of the highly gratifying business development in the first six months of 2010. Earnings before taxes are therefore expected to exceed € 7.0m instead of the formerly anticipated € 6.0m in the current fiscal year (previous year: € 6.4m).

Munich, in July 2010  
The Executive Board

## Notes

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

The present quarterly accounts of LUDWIG BECK AG as per June 30, 2010 have been prepared in compliance with the provisions of the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretation Committee (IFRIC).

### **Presentation method**

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

### **Methods of accounting and valuation**

The quarterly accounts are based on the same methods of accounting and valuation as the group accounts as per December 31, 2009. A comprehensive description of these methods is contained in the Appendix to the IFRS group accounts published as per December 31, 2009.

The semi-annual financial statement was not audited or reviewed by the auditors according to § 317 Commercial Code (HGB).

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

### **Affirmation of the legal representatives**

#### **§ 37y Securities Trading Act (WpHG) in connection with § 37w para 2 No. 3 Securities Trading Act (WpHG)**

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

# Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2010, acc. to IASB

€m	01/01/2010 – 30/06/2010	01/01/2009 – 30/06/2009	01/04/2010 – 30/06/2010	01/04/2009 – 30/06/2009
1. Sales revenues - sales (gross) - minus VAT - sales (net)	45.7 7.3 38.4	44.3 7.1 37.2	23.4 3.7 19.7	22.9 3.7 19.3
2. Other work capitalized	0.0	0.1	0.0	0.0
3. Other operating income	1.7	1.4	1.0	0.7
4. Cost of materials	19.5	19.0	9.8	9.5
5. Personnel expenses	8.3	8.4	4.2	4.2
6. Depreciation	1.6	1.9	0.8	1.0
7. Other operating expenses	7.7	37.0	3.8	4.0
8. EBIT		3.1	1.7	2.1
9. Financial result - of which financing expenses € 1.3m (previous year: € 1.4m) - of which minority interests € 0.3m (previous year: € 0.3m)		-1.6	-1.7	-0.8
10. Earnings before taxes on income (EBT)	1.5	0.0	1.3	0.4
11. Taxes on income	0.6	1.9	0.5	1.9
12. Net profit or loss for the period	0.9	-1.8	0.8	-1.5
Earnings per share (undiluted and diluted) in €	0.25	-0.49	0.23	-0.40
Average number of outstanding shares in million	3.70	3.70	3.70	3.70

# Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as of June 30, 2010, acc. to IASB

Assets	30/06/2010	31/12/2009	30/06/2009
	€m	€m	€m
<b>A. Long-term assets</b>			
I. Intangible assets	3.0	3.0	3.1
II. Property, plant and equipment	91.8	92.0	93.0
III. Other assets	0.2	0.2	0.2
<b>Total long-term assets</b>	<b>94.9</b>	<b>95.2</b>	<b>96.3</b>
<b>B. Short-term assets</b>			
I. Inventories	8.5	8.3	9.5
II. Receivables and other assets	1.0	1.4	1.0
III. Cash and cash equivalents	2.1	4.4	0.7
<b>Total short-term assets</b>	<b>11.6</b>	<b>14.1</b>	<b>11.2</b>
	<b>106.5</b>	<b>109.3</b>	<b>107.6</b>

Shareholders' equity and liabilities	30/06/2010	31/12/2009	30/06/2009
	€m	€m	€m
<b>A. Shareholders' equity</b>			
I. Subscribed capital	9.4	9.4	9.4
II. Capital reserves	3.5	3.5	3.5
III. Profit accrued	14.0	14.4	10.4
IV. Supplementary item from minority interests	15.1	15.4	15.5
<b>Total shareholders' equity</b>	<b>42.1</b>	<b>42.8</b>	<b>38.8</b>
<b>B. Potential compensation claim by minority shareholders</b>	<b>9.2</b>	<b>9.0</b>	<b>8.9</b>
<b>C. Long-term liabilities</b>			
I. Liabilities to banks	36.7	37.0	36.0
II. Accruals	1.5	1.5	0.6
III. Other financial liabilities	3.6	3.7	3.9
IV. Deferred tax liabilities	3.6	3.4	3.3
<b>Total long-term liabilities</b>	<b>45.4</b>	<b>45.6</b>	<b>43.7</b>
<b>D. Short-term liabilities</b>			
I. Liabilities to banks	3.4	3.5	10.6
II. Other financial liabilities	0.5	0.4	0.4
III. Trade liabilities	1.3	1.3	1.4
IV. Tax liabilities	1.8	2.1	0.2
V. Other liabilities	2.9	4.7	3.6
<b>Total short-term liabilities</b>	<b>9.9</b>	<b>12.0</b>	<b>16.2</b>
<b>Total debt (B. - D.)</b>	<b>64.4</b>	<b>66.5</b>	<b>68.8</b>
	<b>106.5</b>	<b>109.3</b>	<b>107.6</b>

# Consolidated Segment Reporting

Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2010, acc. to IASB

€m	Marienplatz complex	Branches	Group
<b>01/01/2010 – 30/06/2010</b>			
Sales (gross)	40.1	5.6	45.7
VAT	-6.4	-0.9	-7.3
<b>Sales (net)</b>	<b>33.7</b>	<b>4.7</b>	<b>38.4</b>
Cost of sales	16.7	2.8	19.5
<b>Gross profit</b>	<b>17.0</b>	<b>1.9</b>	<b>18.9</b>
Personnel expenses	3.4	0.7	4.2
Cost of occupancy	5.9	1.1	7.0
Interests	0.4	0.1	0.5
<b>Segment results</b>	<b>7.2</b>	<b>0.1</b>	<b>7.3</b>
Other operational income			1.7
Other personnel expenses			4.1
Depreciation			1.6
Other expenses			0.7
Other financial result			-1.1
Taxes on income			0.6
<b>Net profit for the period</b>			<b>0.9</b>

€m	Marienplatz complex	Branches	Group
<b>01/04/2010 – 30/06/2010</b>			
Sales (gross)	20.4	3.0	23.4
VAT	-3.3	-0.5	-3.7
<b>Sales (net)</b>	<b>17.1</b>	<b>2.5</b>	<b>19.7</b>
Cost of sales	8.2	1.6	9.8
<b>Gross profit</b>	<b>9.0</b>	<b>0.9</b>	<b>9.9</b>
Personnel expenses	1.8	0.4	2.1
Cost of occupancy	3.0	0.5	3.5
Interests	0.2	0.0	0.2
<b>Segment results</b>	<b>4.0</b>	<b>0.0</b>	<b>4.0</b>
Other operational income			1.0
Other personnel expenses			2.0
Depreciation			0.8
Other expenses			0.2
Other financial result			-0.6
Taxes on income			0.5
<b>Net profit for the period</b>			<b>0.8</b>

**Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2009, acc. to IASB**

€m	Marienplatz complex	Branches	Group
<b>01/01/2009 – 30/06/2009</b>			
Sales (gross)	38.5	5.8	44.3
VAT	-6.1	-0.9	-7.1
<b>Sales (net)</b>	<b>32.4</b>	<b>4.8</b>	<b>37.2</b>
Cost of sales	16.3	2.6	19.0
<b>Gross profit</b>	<b>16.0</b>	<b>2.2</b>	<b>18.2</b>
Personnel expenses	3.4	0.8	4.1
Cost of occupancy	6.0	1.1	7.0
Interests	0.5	0.1	0.5
<b>Segment results</b>	<b>6.2</b>	<b>0.3</b>	<b>6.6</b>
Other operational income			1.5
Other personnel expenses			4.2
Depreciation			1.9
Other expenses			0.8
Other financial result			-1.2
Taxes on income			1.9
<b>Net loss for the period</b>			<b>-1.8</b>

€m	Marienplatz complex	Branches	Group
<b>01/04/2009 – 30/06/2009</b>			
Sales (gross)	19.8	3.2	22.9
VAT	-3.2	-0.5	-3.7
<b>Sales (net)</b>	<b>16.6</b>	<b>2.6</b>	<b>19.3</b>
Cost of sales	8.1	1.4	9.5
<b>Gross profit</b>	<b>8.5</b>	<b>1.2</b>	<b>9.7</b>
Personnel expenses	1.7	0.4	2.1
Cost of occupancy	3.0	0.5	3.6
Interests	0.2	0.0	0.2
<b>Segment results</b>	<b>3.5</b>	<b>0.3</b>	<b>3.8</b>
Other operational income			0.7
Other personnel expenses			2.0
Depreciation			1.0
Other expenses			0.5
Other financial result			-0.6
Taxes on income			1.9
<b>Net loss for the period</b>			<b>-1.5</b>

# Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2010, acc. to IASB

€m	01/01/2010 – 30/06/2010	01/01/2009 – 30/06/2009
<b>Cash flow from operating activities:</b>		
Earnings before taxes on income	1.5	0.0
Adjustments for:		
+ depreciation of fixed assets	1.6	1.9
+ interest expenses	1.3	1.4
+ minority interest profit	0.3	0.3
<b>Operating result before changes to net working capital</b>	<b>4.7</b>	<b>3.6</b>
Increase/decrease (-+/-) in assets	0.2	4.1
Increase/decrease (+/-) in liabilities	-2.0	-4.8
<b>Net cash from operating activities (before interest and tax payments)</b>	<b>2.9</b>	<b>2.9</b>
Interest paid	-1.2	-1.3
Taxes on income paid	-0.3	-0.2
<b>Net cash from operating activities</b>	<b>1.4</b>	<b>1.4</b>
Disbursements for additions to fixed assets	-1.3	-1.5
<b>Net cash used in investing activities</b>	<b>-1.3</b>	<b>-1.5</b>
Disbursements to minority interests	-0.4	-0.3
Dividend payment	-1.3	-1.1
Acceptance/settlement of bank liabilities	-0.4	1.9
Acceptance/settlement of other long-term borrowing (finance leasing)	-0.2	-0.2
<b>Net cash from financing activities</b>	<b>-2.3</b>	<b>0.2</b>
Change in cash and cash equivalents	-2.3	0.1
Cash and cash equivalents at beginning of period	4.4	0.6
<b>Cash and cash equivalents at end of period</b>	<b>2.1</b>	<b>0.7</b>

# Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2010, acc. to IASB

€m	Share capital	Capital reserve	Generated capital	Supplementary item from minority interests	Total
<b>Balance as of 01/01/2010</b>	<b>9.4</b>	<b>3.5</b>	<b>14.4</b>	<b>15.4</b>	<b>42.8</b>
Net profit for the period			0.9		0.9
Dividend payment			-1.3		-1.3
Change in supplementary item from minority interests				-0.3	-0.3
<b>Balance as of 30/06/2010</b>	<b>9.4</b>	<b>3.5</b>	<b>14.0</b>	<b>15.1</b>	<b>42.1</b>
<b>Balance as of 01/01/2009</b>	<b>9.4</b>	<b>3.5</b>	<b>13.4</b>	<b>15.5</b>	<b>41.8</b>
Net loss for the period			-1.8		-1.8
Dividend payment			-1.1		-1.1
<b>Balance as of 30/06/2009</b>	<b>9.4</b>	<b>3.5</b>	<b>10.4</b>	<b>15.5</b>	<b>38.8</b>