



# Consolidated Interim Report

FOR THE 3<sup>RD</sup> QUARTER AND  
THE FIRST NINE MONTHS  
OF THE FISCAL YEAR

# 2010

for the Period from January 1 to September 30, 2010

LUDWIG BECK

*Ludwig Beck*

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# Key Figures of the Group

€m	01/01/2010 – 30/09/2010	01/01/2009 – 30/09/2009
Sales (gross)	72.9	69.0
Sales (net)	61.3	58.0
Gross profit <sup>1)</sup>	30.4	28.3
Earnings before interests, taxes on income, depreciation and amortisation (EBITDA)	9.0	6.3
Operational result (EBIT)	6.6	3.7
Earnings before taxes on income (EBT)	4.2	1.1
Net profit or loss for the period	2.7	-1.1
Earnings per share (in €)	0.73	-0.31
Investments	1.6	1.7
Employees (as of 30/09) <sup>2)</sup>	500	528
Apprentices (no.)	57	52

<sup>1)</sup> Net sales minus cost of materials    <sup>2)</sup> Without apprentices

## Introduction

LUDWIG BECK's financial reporting is based on the International Financial Reporting Standards (IFRS) and conforms to § 37w Securities Trading Act (WpHG). Generally, the interim report is prepared as an update of the 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

The current economic development in the euro area is unfolding rather diversely. While recovery has progressed much faster in Germany than in many other industrialized nations, the situation in the so-called "olive belt" countries, still severely stricken with the sovereign debt crisis, remains dire. According to the estimates of the Federal Association of German Banks, Greece is still caught in a deep recession and unemployment

figures are skyrocketing in Spain. However, surveys of the Kiel Institute for the World Economy (IfW) indicate that the economic growth in Germany has speeded up considerably towards the middle of the year 2010 and the real gross domestic product has soared 9.0 % like never before in unified Germany. Even though most economic experts agree that the pace of development of the gross domestic product will slow down in the 3<sup>rd</sup> quarter of 2010 as compared to the dynamic period between April and June, they are still expecting 2.7 % increase (IfW). Booming exports and the recovery of the private consumer sector which has risen for the first time in one year will stabilize this trend. The Association for Consumption Research (GfK) noticed tangible improvements in consumer mood and recorded a three-year high in consumer confidence. According to GfK, German citizens clearly perceive the national economy as recovering. The positive development of the labor market coupled with rising income expectations and a stable price development are vital contributors to this tendency. Corporate mood as reflected by the ifo index, which scored another rise in September, indicates that companies are more satisfied with their business situation than they were the month before.

#### Retail trade development

According to the Institute for Economic Research (ifo) the business climate has improved for the third time in a row. Positive anticipations have never been stronger since the unification boom. A business survey con-

ducted by the German Retail Trade Association clearly shows that optimism is on the rise and business expectations of retail traders are more hopeful. Participants of the TW-Testclub, the best-attended panel in German textile retail trade, also benefitted from the general trend and reported 4.0 % increase in the first nine months of 2010.

### **Development of sales of LUDWIG BECK**

The sales trend has continuously improved for the LUDWIG BECK Group in the year under review. The LUDWIG BECK Group recorded a 5.7 % increase in gross sales to € 72.9m (previous year: € 69.0m). It has to be pointed out however, that previous year's sales included proceeds of the fashion outlet in Parsdorf near Munich which was closed on July 31, 2010. The branches in Riem, Landshut and s.Oliver in Regensburg were closed or sold in September. Branch-adjusted sales of LUDWIG BECK went up 6.0 % approximately. Sales generated by the flagship store at Marienplatz in Munich (including FÜNF HÖFE) amounted to € 64.3m, corresponding to plus € 4.1m or 6.8 % as compared to the previous year (€ 60.2m).

### **Earnings situation**

The gross profit of the LUDWIG BECK Group could be improved 7.2 % in the first nine months of the fiscal year 2010 and went up from € 28.3m in the same period last year to € 30.4m. The gross profit ratio was 49.6 %, a rise of 0.7 percentage points as compared to the previous year (48.9 %).

LUDWIG BECK succeeded in further optimizing its cost management and reducing the expense ratio (expenses against corresponding proceeds) by 3.7 percentage points to 38.8 % (previous year: 42.5 %) in the first nine months of 2010. The absolute amount of expenses against corresponding proceeds was € 23.8m (previous year: € 24.7m).

EBIT has significantly and precipitously risen 79.6 % in comparison with the same period last year, and climbed to € 6.6m in the first nine months of 2010 (previous year: € 3.7m). The corresponding EBIT margin was 10.8 %, equaling a 4.4 percentage points increase as compared to the previous year (6.3 %). The most significant improvement was achieved in earnings

before taxes on income (EBT) which rose from € 1.1m to € 4.2m. The EBT margin was 6.8 % (previous year: 1.9 %).

The net profit for the period of the first nine months of 2010 amounted to € 2.7m (previous year: € -1.1m). Due to non-recurrent tax effects the result of the previous year had been burdened with € 1.7m.

### **Financial situation**

#### **Cash flow**

In the first nine months, LUDWIG BECK generated a positive cash flow from operating activities in the amount of € 3.0m as compared to € 1.5m in the previous year. The cash outflow from investing activities dropped slightly from € 1.7m in the previous year to € 1.6m in the reporting period. Owing to the positive liquidity situation of the LUDWIG BECK Group and based on the good results achieved in the first nine months of 2010, the cash flow from financing activities was € -3.0m in the first nine months of 2010 while € 0.6m had been borrowed in the same period last year.

#### **Asset situation**

##### **Balance sheet structure**

The balance sheet total of the LUDWIG BECK Group amounted to € 109.4m as per September 30, 2010 (December 31, 2009: € 109.3m). Aggregate long-term assets in the amount of € 94.3m accounted for the largest share (December 31, 2009: € 95.2m). The principal asset side item concerned tangible fixed assets worth € 91.2m (December 31, 2009: € 92.0m), mainly consisting of the real estate at Marienplatz in Munich.

Short-term assets in the value of € 15.0m slightly exceeded last year's level which had settled at € 14.1m as per the relevant date December 31, 2009. This is particularly due to seasonal stock increases to € 10.9m (December 31, 2009: € 8.3m), as seasonal peaks in fashion trade traditionally tend to bind large funds in the 1<sup>st</sup> and 3<sup>rd</sup> quarter. At the same time, cash and cash equivalents amounted to € 2.8m at the end of the reporting period (December 31, 2009: € 4.4m).

The fashion house's traditionally sound balance sheet presents itself with a newly increased equity ratio of 40.1 % as per September 30, 2010 (December 31, 2009: 39.1 %). The company's equity is € 43.8m (December 31, 2009: € 42.8m).

The Group's aggregate liabilities could be cut € 1.3m as a result of the favorable economic development and amounted to € 56.3m (December 31, 2009: € 57.6m).

## Employees

In the first nine months of 2010 the number of employees (without apprentices) was 509 in accordance with Section 267 par. 5 Commercial Code (HGB) (previous year: 519). The weighted number of full-time employees at Group level also dropped slightly to 353 (previous year: 363). At the relevant date September 30, 2010, 57 apprentices were employed by LUDWIG BECK (previous year: 52). Staff cuts were triggered by changes in the branch structure.

## 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

Economic experts anticipate fewer positive impulses from abroad in the months to come. The Institute for World Economy (IfW) believes that the worldwide economic expansion has traversed its highpoint, and expects a significant weakening of major political economies. The Kiel Institute also points out that the considerable risks resulting from the financial crisis have not been overcome yet, whereas the means of monetary policy to counter a down-turn have been nearly

exhausted. Hence, there is heightened probability of new turmoil in the financial markets which might affect the German economy. Experts are not expecting foreign trade to contribute substantially to the growth of the gross domestic product in Germany, yet are figuring that further improvements in the labor markets and rising incomes will have a positive effect on private consumption. According to IfW, the German economy will therefore remain relatively robust, and 1.7 % increase in the real gross domestic product may be achieved in 2011.

### Retail trade development

GfK forecasts a constantly accelerating upward momentum of consumer confidence. If the economic environment emits similarly positive signals in the coming months, private consumption will develop more favorably than anticipated, and 0.5 % increase will be more probable than stagnation. The business sentiment in retail trade hasn't been as good since the beginning of the financial crisis. Turnover may develop more favorably in 2010 than conceived at the beginning of the year. The German Retail Federation (HDE) therefore upgraded its sales forecast to 1.5 % nominal increase as compared to the anticipated 0.5 % decline. Even though this could make up for last year's turnover losses (-2.0 %) to a considerable extent, it meant nothing more than returning back to normal.

### LUDWIG BECK 2010

In the first nine months of the fiscal year 2010 the LUDWIG BECK Group was able to step up the pace of growth even further. The Executive Board of LUDWIG BECK AG assumes that framework conditions will remain favorable in the remaining three months of the current fiscal year and expects the company to outperform the record results of the fiscal year 2009.

When making a forecast the LUDWIG BECK Management always relies on the tried and tested success factors of the fashion house. For more than 150 years the 'Store of the Senses' at Marienplatz in Munich has given distinction to one of Europe's major tourist centers and has truly won a place in the heart of the city. Approximately 90 % of sales are generated by the flagship store. Values like quality, tradition and reliability have for a long time been associated

with the LUDWIG BECK brand. The goal pursued with the "trading up" strategy which has been consequently implemented in the past years, is to protect these virtues while meeting the high standards of a modern department store at the same time. This has resulted in a comprehensive new positioning of LUDWIG BECK.

The Management's stringent cost policy of constantly trimming the Group's expense ratio is another fundamental building block of the corporate growth strategy. Therefore, the no longer profitable multi-label branches in the Riem-Arcaden in Munich, in the Landshut City Center and the s.Oliver branch in Regensburg were sold or returned to their owners in September 2010. The fashion outlet in Parsdorf had been closed in July 2010. The company trusts that these measures will further optimize the cost structure and affect the development of sales and profits in a positive manner.

On the basis of the stable economic environment and the business development in the first nine months the LUDWIG BECK Management upgraded its earnings forecast for the current fiscal year on October 13, 2010. Earnings before taxes on income are now expected to exceed € 7.5m (formerly € 7.0m) in the full year 2010. This would clearly surpass the € 6.4m record result of 2009 by more than 15 %.

The financial dates for the coming fiscal year 2011 will be published on the company's website under **[www.ludwigbeck.com](http://www.ludwigbeck.com)** as of December. The company's next Annual General Meeting will be held in Munich on May 12, 2011.

Munich, in October 2010  
The Executive Board

## Notes

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

The present quarterly accounts of LUDWIG BECK AG as per September 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 sums were exactly computed and then rounded to € m. The percentages given in the text were determined on the basis of the exact (not rounded) values.

# Consolidated Statement of Comprehensive Income

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

€m	01/01/2010 – 30/09/2010		01/01/2009 – 30/09/2009		01/07/2010 – 30/09/2010		01/07/2009 – 30/09/2009	
1. Sales revenues								
- sales (gross)	72.9		69.0		27.2		24.7	
- minus VAT	11.6		11.0		4.3		3.9	
- sales (net)		61.3		58.0		22.9		20.7
2. Other work capitalized		0.0		0.1		0.0		0.0
3. Other operating income		2.7		2.2		1.0		0.8
		<b>64.0</b>		<b>60.3</b>		<b>23.9</b>		<b>21.5</b>
4. Cost of materials	30.9		29.6		11.4		10.7	
5. Personnel expenses	12.5		12.6		4.3		4.2	
6. Depreciation	2.4		2.7		0.8		0.8	
7. Other operating expenses	11.6	57.4	11.7	56.6	3.9	20.4	3.9	19.6
<b>8. EBIT</b>		<b>6.6</b>		<b>3.7</b>		<b>3.5</b>		<b>1.9</b>
9. Financial result		-2.4		-2.5		-0.8		-0.8
- of which financing expenses € 2.0m (previous year: € 2.1m)								
- of which minority interests € 0.5m (previous year: € 0.5m)								
<b>10. Earnings before taxes on income (EBT)</b>		<b>4.2</b>		<b>1.1</b>		<b>2.7</b>		<b>1.1</b>
11. Taxes on income		1.5		2.3		0.9		0.4
<b>12. Net profit or loss for the period</b>		<b>2.7</b>		<b>-1.1</b>		<b>1.8</b>		<b>0.7</b>
Earnings per share (undiluted and diluted) in €		0.73		-0.31		0.48		0.18
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 September 30, 2010, acc. to IASB

Assets	30/09/2010	31/12/2009	30/09/2009
	€m	€m	€m
<b>A. Long-term assets</b>			
I. Intangible assets	2.9	3.0	3.1
II. Property, plant and equipment	91.2	92.0	92.5
III. Other assets	0.2	0.2	0.2
<b>Total long-term assets</b>	<b>94.3</b>	<b>95.2</b>	<b>95.8</b>
<b>B. Short-term assets</b>			
I. Inventories	10.9	8.3	12.0
II. Receivables and other assets	1.4	1.4	1.0
III. Cash and cash equivalents	2.8	4.4	1.0
<b>Total short-term assets</b>	<b>15.0</b>	<b>14.1</b>	<b>14.0</b>
	<b>109.4</b>	<b>109.3</b>	<b>109.8</b>

Shareholders' equity and liabilities	30/09/2010	31/12/2009	30/09/2009
	€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	15.8	14.4	11.1
IV. Supplementary item from minority interests	15.1	15.4	15.5
<b>Total shareholders' equity</b>	<b>43.8</b>	<b>42.8</b>	<b>39.5</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	36.0	37.0	39.0
II. Accruals	1.0	1.5	0.6
III. Other financial liabilities	3.5	3.7	3.8
IV. Deferred tax liabilities	3.6	3.4	3.6
<b>Total long-term liabilities</b>	<b>44.2</b>	<b>45.6</b>	<b>47.0</b>
<b>D. Short-term liabilities</b>			
I. Liabilities to banks	3.1	3.5	7.7
II. Other financial liabilities	0.5	0.4	0.4
III. Trade liabilities	2.7	1.3	1.8
IV. Tax liabilities	2.0	2.1	0.2
V. Other liabilities	3.8	4.7	4.2
<b>Total short-term liabilities</b>	<b>12.1</b>	<b>12.0</b>	<b>14.4</b>
<b>Total debt (B. - D.)</b>	<b>65.5</b>	<b>66.5</b>	<b>70.2</b>
	<b>109.4</b>	<b>109.3</b>	<b>109.8</b>

# Consolidated Segment Reporting

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

€m	Marienplatz complex	Branches	Group
<b>01/01/2010 – 30/09/2010</b>			
Sales (gross)	64.3	8.6	72.9
VAT	-10.3	-1.4	-11.6
<b>Sales (net)</b>	<b>54.0</b>	<b>7.2</b>	<b>61.3</b>
Cost of sales	26.7	4.2	30.9
<b>Gross profit</b>	<b>27.3</b>	<b>3.1</b>	<b>30.4</b>
Personnel expenses	5.2	1.1	6.3
Cost of occupancy	8.9	1.6	10.5
Interests	0.7	0.1	0.7
<b>Segment results</b>	<b>12.5</b>	<b>0.4</b>	<b>12.9</b>
Other operational income			2.7
Other personnel expenses			6.2
Depreciation			2.4
Other expenses			1.1
Other financial result			-1.7
Taxes on income			1.5
<b>Net profit for the period</b>			<b>2.7</b>

€m	Marienplatz complex	Branches	Group
<b>01/07/2010 – 30/09/2010</b>			
Sales (gross)	24.2	3.0	27.2
VAT	-3.9	-0.5	-4.3
<b>Sales (net)</b>	<b>20.4</b>	<b>2.5</b>	<b>22.9</b>
Cost of sales	10.1	1.3	11.4
<b>Gross profit</b>	<b>10.3</b>	<b>1.1</b>	<b>11.4</b>
Personnel expenses	1.8	0.4	2.2
Cost of occupancy	3.0	0.5	3.5
Interests	0.2	0.0	0.2
<b>Segment results</b>	<b>5.3</b>	<b>0.3</b>	<b>5.6</b>
Other operational income			1.0
Other personnel expenses			2.1
Depreciation			0.8
Other expenses			0.4
Other financial result			-0.5
Taxes on income			0.9
<b>Net profit for the period</b>			<b>1.8</b>



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

€m	Marienplatz complex	Branches	Group
<b>01/01/2009 – 30/09/2009</b>			
Sales (gross)	60.2	8.8	69.0
VAT	-9.6	-1.4	-11.0
<b>Sales (net)</b>	<b>50.6</b>	<b>7.4</b>	<b>58.0</b>
Cost of sales	25.6	4.0	29.6
<b>Gross profit</b>	<b>25.0</b>	<b>3.4</b>	<b>28.4</b>
Personnel expenses	5.1	1.1	6.3
Cost of occupancy	9.1	1.6	10.7
Interests	0.7	0.1	0.8
<b>Segment results</b>	<b>10.1</b>	<b>0.6</b>	<b>10.7</b>
Other operational income			2.3
Other personnel expenses			6.3
Depreciation			2.7
Other expenses			1.0
Other financial result			-1.7
Taxes on income			2.3
<b>Net loss for the period</b>			<b>-1.1</b>

€m	Marienplatz complex	Branches	Group
<b>01/07/2009 – 30/09/2009</b>			
Sales (gross)	21.7	3.0	24.7
VAT	-3.5	-0.4	-3.9
<b>Sales (net)</b>	<b>18.2</b>	<b>2.6</b>	<b>20.7</b>
Cost of sales	9.3	1.4	10.7
<b>Gross profit</b>	<b>8.9</b>	<b>1.2</b>	<b>10.0</b>
Personnel expenses	1.7	0.4	2.1
Cost of occupancy	3.1	0.5	3.6
Interests	0.3	0.0	0.3
<b>Segment results</b>	<b>3.9</b>	<b>0.2</b>	<b>4.0</b>
Other operational income			0.8
Other personnel expenses			2.1
Depreciation			0.8
Other expenses			0.3
Other financial result			-0.6
Taxes on income			0.4
<b>Net profit for the period</b>			<b>0.7</b>

# Consolidated Cash Flow Statement

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

€m	01/01/2010 – 30/09/2010	01/01/2009 – 30/09/2009
<b>Cash flow from operating activities:</b>		
Net profit for the period before taxes on income	4.2	1.1
Adjustments for:		
+ depreciation of fixed assets	2.4	2.7
+ interest expenses	2.0	2.1
+ minority interest profit	0.5	0.5
<b>Operating result before changes to net working capital</b>	<b>9.0</b>	<b>6.4</b>
Increase/decrease (-/+) in assets	-2.5	1.5
Increase/decrease (+/-) in liabilities	0.1	-3.7
<b>Net cash from operating activities (before interest and tax payments)</b>	<b>6.6</b>	<b>4.2</b>
Interest paid	-1.8	-2.0
Disbursements to minority interests	-0.5	-0.5
Taxes on income paid	-1.3	-0.3
<b>Net cash from operating activities</b>	<b>3.0</b>	<b>1.5</b>
Disbursements for additions to fixed assets	-1.6	-1.7
<b>Net cash used in investing activities</b>	<b>-1.6</b>	<b>-1.7</b>
Dividend payment	-1.3	-1.1
Acceptance/settlement of bank liabilities	-1.4	2.0
Acceptance/settlement of other long-term borrowing (finance leasing)	-0.3	-0.3
<b>Net cash from financing activities</b>	<b>-3.0</b>	<b>0.6</b>
Change in cash and cash equivalents	-1.6	0.4
Cash and cash equivalents at beginning of period	4.4	0.6
<b>Cash and cash equivalents at end of period</b>	<b>2.8</b>	<b>1.0</b>

# Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – September 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			2.7		2.7
Dividend payment			-1.3		-1.3
Change in supplementary item from minority interests				-0.3	-0.3
<b>Balance as of 30/09/2010</b>	<b>9.4</b>	<b>3.5</b>	<b>15.8</b>	<b>15.1</b>	<b>43.8</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			-1.1		-1.1
Dividend payment			-1.1		-1.1
<b>Balance as of 30/09/2009</b>	<b>9.4</b>	<b>3.5</b>	<b>11.2</b>	<b>15.5</b>	<b>39.5</b>