ludwig Beck

Consolidated Interim Report

For the 3rd Quarter and the 1st nine Months of the Fiscal Year 2012 for the Period from January 1 to September 30, 2012

LUDWIG BECK
seit 1861

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Key Figures of the Group

€m	1/1/2012 – 9/30/2012	1/1/2011 – 9/30/2011
Sales (gross)	70.4	69.6
Sales (net)	59.2	58.5
Gross profit [1]	29.6	29.5
Earnings before interests, taxes, depreciation and amortisation (EBITDA)	9.7	8.3
Earnings before interests and taxes (EBIT)	7.6	6.2
Earnings before taxes (EBT)	6.2	5.0
Net profit for the period after minority interests	4.1	2.4
Earnings per share (in €)	1.14	0.64
Investments	2.0	1.0
Employees (as of 9/30) [2]	467	470
Apprentices (no.)	58	58

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 is pursuant 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 2011.

Report on earnings, financial, and asset situation

Earnings situation

Macroeconomic development

After a dynamic start into the year 2012, the German economy has come down to earth. Even though domestic economic activity noticeably improved during the first half of 2012, foreign demand weakened during the same period – only to pick up again in summer. The fifth slight drop of the ifo business climate index in September is a sign that German exporters were struggling with slumps in Europe's crisis countries, seeking access to markets in China and the United States to counteract this effect. However, rising imports compensated for the increased focus on non-European exports. German businesses held back investments, probably due to the still lingering debt crisis in the Euro-zone. The Kiel Institute for the World Economy (IfW) already sees the German economic activity falter. The current low rate of unemployment, accelerated residential construction, and a strong buying mood of German consumers will not be enough to bring the German economy back into shape in an overall less dynamic world economy, so the researchers. Nevertheless, the Kiel economic researchers grant that most of the European countries with dangerously lopsided budgets are now implementing consolidation strategies.

Retail trade development

Many German retail businesses had reason to celebrate. Even though consumers were expected to earn less and the uncertainty surrounding the Euro has become an issue, German marginal propensity to save is still in decline. So far, consumers have been shopping a lot this year. However, after a fair to middling summer, there is now talk of fall blues in the textile sector of the industry. Even though textile retail ended September up 5%, the months of July and August were rather weak and showed a decline of 3% and 2%. Thus, at the end of the 3rd quarter of 2012, fashion retail looks at a disappointing 1% decline in sales (source: TextilWirtschaft).

LUDWIG BECK development of sales

Despite challenging economic conditions, LUDWIG BECK again trumped the industry development and successfully expanded its position as one of Germany's most profitable trading firms. The Group's sales improved compared to 2011. Gross sales rose by 1.2% and reached € 70.4m (previous year: € 69.6m). Like-for-like sales even rose 3.6%. In 2011 and 2012, LUDWIG BECK parted with its branches in Augsburg and in the Olympiaeinkaufszentrum (Esprit branch). The flagship store at Munich's Marienplatz, incl. FÜNF HÖFE, achieved a 4.1% rise in sales (+ € 2.7m). Gross sales reached here € 68.8m (previous year: € 66.1m).

Earnings situation

Nine months into the 2012 fiscal year, LUDWIG BECK's strong competitive position and stringent cost management positively influenced the overall earnings situation.

At € 29.6m (+ 0.3%), gross profits moved more or less laterally compared to last year's € 29.5m. The gross profit margin reached 50.0% (previous year: 50.5%). Non-recurring items and contributions by suppliers for the 150-year anniversary led to a better gross profit margin in the previous year.

For the reporting period, the Group's expense ratio was at 37.3% (last year: 40.0%) and fell by 2.7%-points compared to the previous year. At € 22.1m, the absolute expenses against corresponding income were € 1.3m below last year's € 23.4m.

Earnings before interests and taxes (EBIT) jumped up by 22.7% compared to the previous year. During the first nine months of 2012, EBIT climbed to € 7.6m (previous year: € 6.2m). Accordingly, the EBIT margin reached 12.8%, an increase of 2.2%-points compared to 10.6% in the previous year. In 2011, non-recurring net effects resulting from the 150-year anniversary weighed on the EBIT with € 0.7m.

During the first nine months of 2012, the financial result amounted to € -1.4m (previous year: € -1.2m). In the previous year, other shareholders' holdings positively influenced the Group's result with € 0.3m, due a tax audit.

Earnings before taxes (EBT) reached € 6.2m (previous year: € 5.0m).

During the first nine months of the 2012 fiscal year, taxes on income paid amounted to € 2.0m compared to € 2.6m in the previous year. Here, too, a non-recurring effect resulting from a tax audit occurred last year and amounted to € 1.3m.

The net profit for the period after minorities was € 4.1m (previous year: € 2.4m).

Financial situation

Cash flow

Even though income tax payments were clearly higher than in the previous year, cash flow from current operating activities improved to € -1.2m in the first nine months of 2012 (previous year: € -2.3m). These higher tax payments were triggered by the positive results achieved in the preceding years and ensuing back duty. Compared to the previous year, cash outflow from investment activities rose from € 1.0m to € 2.0m in 2012. Investments focused on the new design of LUDWIG BECK's Strumpfhaus (House of Stockings). Starting in August 2012, it presents itself on 460 m^2 in a lavish, modern architectural design and offers more than 40 different brands. Cash flow from financing activities was € -0.2m compared to € -1.0m in 2011.

Asset Situation

Balance sheet structure

At the end of the period, September 30, 2012, the balance sheet total of the LUDWIG BECK Group was € 108.2m (December 31, 2011: € 107.6m). With € 92.3m, long-term assets, as usual, accounted for the biggest portion of the balance sheet total (December 31, 2011: € 92.5m). The main item on the asset side, tangible assets, remained unchanged at € 89.1m (December 31, 2011: € 89.1m), reflecting the value of the real estate at Munich's Marienplatz with € 71m.

Short-term assets amounted to € 15.8m and rose slightly compared to € 15.2m at the end of the period December 31, 2011, mostly due to a seasonal increase in inventories to € 13.4m. Traditionally, Fashion retailers have a high amount of funds committed to inventories during the 3rd quarter. At the end of the reporting period, cash and cash equivalents amounted to € 0.6m (December 31, 2011: € 3.9m).

The rock solid balance sheet of the Fashion Group, again, presented an increase of the equity ratio to 51.6% as of September 30, 2012 (December 31, 2011: 49.9%). Therefore, the Group held equity in the amount of € 55.8m compared to € 53.7m on December 31, 2011.

At the end of the period, September 30, 2012, the Group had cut its aggregate liabilities by € 1.5m to the amount of € 52.4m (December 31, 2011: € 53.9m), largely due to a significant reduction in tax liabilities to € 0.6m for the reporting period, compared to the previous year (December 31, 2011: € 3.6m).

Employees

In the first nine months of 2012, the number of employees (apprentices not included) was 456 in accordance with Section 267 par. 5 Commercial Code (previous year: 463). The weighted number of full-time employees at Group level slightly decreased to 327 (previous year: 332). This slight decrease is also due to the sale of the Esprit branch in the Olympiaeinkaufszentrum. At the end of the period, September 30, 2012, LUDWIG BECK employed 58 apprentices (previous year: 58).

Risk report

In the course of its activities in the sales markets, the LUDWIG BECK Group is exposed to various risks connected with entrepreneurial transactions. A detailed description thereof is contained in our current annual report for the year 2011 (page 63 ff). It can also be found on the company's website under **http://www.ludwigbeck.de/english/ir-english/financial-publications/annual-reports/**.

Forecast report

Business and general conditions

How the German economy will fare in the months ahead depends in part on the overall conditions in Europe. The launch of the European Stability Mechanism ESM might have improved the situation and is generally considered to be a stabilizing impulse for the markets. For now, the Institute for the World Economy (IfW) perceives a lateral movement for incoming orders. It does not expect a noticeable expansion of the economy until next year. According to the researchers, economic expansion depends on renewed corporate investment activities and these require confidence-inspiring measures by pan-European economic policy. Therefore, the institute anticipates a 0.8% increase for the gross domestic product. Unemployment will show a marginal increase due to slow economic activity, inflation will be at 2%, and with a deficit just short of € 4b the overall public budget will be close to balanced, so the IFW.

According to the Association for Consumption Research (GfK), high private consumption still reliably underpins a restrained economy. After recurrent decline, the economic indicator stabilized in September, GfK noted. It remains cautious in its assessment of the current situation and does not commit itself to overly positive expectations for economic development.

Retail trade development

A current survey among 1,300 businesses, commissioned by the German Trade Association (HDE), indicates an economic slowdown for the German retail trade. Rising energy and fuel costs affect business expenses and curb consumers' spending money. Nevertheless, labor market conditions are relatively stable and wage earners achieved satisfactory labor agreements. On the backdrop of the ongoing European crisis, consumers spend their money on items of value rather than invest it in the bank. Therefore, the industry's association HDE sustains its prediction of a 1.5% growth in sales for the year 2012. Current bestsellers are watches, jewelry, furniture, and consumer electronics, according to HDE. In the fashion sector, however, the outlook is sobering, as forecasts were lowered. According to surveys published in TextilWirtschaft, more than one third of retailers expect to end 2012 with a loss in sales and earnings.

LUDWIG BECK 2012

No sign of missed chances could be found at LUDWIG BECK AG this summer. Again the Fashion Group succeeded in clearly outperforming industry trends during times of unpredictable developments. It started the year with great ambitions. They now have been realized and give grounds for optimistic business expectations for the end of the year. Traditionally, the 4th quarter is the strongest and, with the great results achieved in the first nine months, holds the prospect of producing more pleasing figures.

While the shopping mood of German consumers seemed to elude conventional fashion offers, LUDWIG BECK and its exclusive range of products, staged in sensual presentations, was able to inspire it. The target group's desire for premium products remains strong and is met by a unique selection of products satisfying every upscale standard. In connection with brand appeal, first class sales culture, and the inimitable flair of the Marienplatz flagship store, the consistent implementation of the "trading up" strategy reliably guarantees high profits. Management continues to send signals of stability and predictability to its employees, investors, and business partners.

Based on the economic development of the first nine months of 2012 and the stable assets, financial and earnings situation of the Group, the LUDWIG BECK management emphasizes its forecast for the current fiscal year. Thus branch-adjusted sales will grow 2% to 3% and earnings before taxes (EBT) will be between € 10.0m and € 12.0m. Management is confident that LUDWIG BECK will be able to clearly top the results of the anniversary year 2011 amounting to € 11.3m.

Munich, in October 2012
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, 2012 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).

Accounting and valuation methods

The quarterly accounts are based on the same methods of accounting and valuation as the Group accounts as per December 31, 2011. A comprehensive description of these methods is contained in the published appendix to the IFRS Group accounts as of December 31, 2011.

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, 2012, acc. to IASB

€m	1/1/2012 – 9/30/2012		1/1/2011 – 9/30/2011		7/1/2012 – 9/30/2012		7/1/2011 – 9/30/2011	
1. Sales revenue								
- sales (gross)	70.4		69.6		24.5		24.6	
- minus VAT	11.2		11.1		3.9		3.9	
- sales (net)		59.2		58.5		20.6		20.7
2. Other own work capitalized		0.1		0.0		0.0		0.0
3. Other operating income		2.5		2.3		0.9		0.9
		61.8		**60.8**		**21.6**		**21.6**
4. Cost of materials	29.6		28.9		10.3		10.4	
5. Personnel expenses	12.0		12.4		4.1		4.0	
6. Depreciation	2.1		2.2		0.7		0.7	
7. Other operating expenses	10.5	54.2	11.1	54.6	3.5	18.6	3.5	18.6
8. Earnings before interests and taxes (EBIT)		**7.6**		**6.2**		**3.0**		**3.0**
9. Financial result		-1.4		-1.2		-0.5		0.0
- Of which financing expenses:								
as of 9/30: € 1.4m (previous year: € 1.5m)								
3rd Quarter: € 0.5m (previous year: € 0.6m)								
- Of which minority interests:								
as of 9/30: – (previous year: € -0.3m)								
3rd Quarter: – (previous year: € -0.6m)								
10. Earnings before taxes (EBT)		**6.2**		**5.0**		**2.5**		**3.0**
11. Taxes on income		2.0		2.6		0.8		2.0
12. Net profit for the period		**4.2**		**2.4**		**1.7**		**1.0**
13. Minoriy interests in net profit for the period		0.2		–		0.1		–
14. Net profit for the period after minory interests		**4.1**		**2.4**		**1.7**		**1.0**
Earnings per share (undiluted and diluted) in €		1.14		0.64		0.47		0.28
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, 2012, acc. to IASB

Assets		9/30/2012	12/31/2011	9/30/2011
		€m	€m	€m
A.	**Long-term assets**			
I.	Intangible assets	3.1	3.2	2.9
II.	Property, plant and equipment	89.1	89.1	89.6
III.	Other assets	0.1	0.1	0.1
	Total long-term assets	**92.3**	**92.5**	**92.7**
B.	**Short-term assets**			
I.	Inventories	13.4	9.5	12.7
II.	Receivables and other assets	1.9	1.7	1.2
III.	Cash and cash equivalents	0.6	3.9	0.5
	Total short-term assets	**15.8**	**15.2**	**14.4**
		108.2	**107.6**	**107.1**

Shareholders´ equity and liabilities		9/30/2012	12/31/2011	9/30/2011
		€m	€m	€m
A.	**Shareholders' equity**			
I.	Subscribed capital	9.4	9.4	9.4
II.	Capital reserves	3.5	3.5	3.5
III.	Profit accrued	34.7	31.9	20.6
IV.	Equity participation acc. to "anticipated acquisition method"	8.2	8.9	15.0
	Total shareholders' equity	**55.8**	**53.7**	**48.6**
B.	**Potential compensation claim by minority shareholders**	**0.0**	**0.0**	**8.5**
C.	**Long-term liabilities**			
I.	Liabilities to banks	29.0	27.6	16.7
II.	Accruals	0.6	0.6	0.6
III.	Other financial liabilities	3.9	4.1	3.2
IV.	Deferred tax liabilities	0.8	1.2	2.9
	Total long-term liabilities	**34.2**	**33.5**	**23.5**
D.	**Short-term liabilities**			
I.	Liabilities to banks	10.4	9.9	17.2
II.	Other financial liabilities	0.6	0.6	0.5
III.	Trade liabilities	1.8	1.4	2.1
IV.	Tax liabilities	0.6	3.6	3.0
V.	Other liabilities	4.8	5.0	3.8
	Total short-term liabilities	**18.2**	**20.4**	**26.6**
	Total debt (B. to D.)	**52.4**	**53.9**	**58.5**
		108.2	**107.6**	**107.1**

Consolidated Segment Reporting

Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – September 30, 2012, acc. to IASB

€m	Textile	Non-textile	Group
1/1/2012 - 9/30/2012			
Sales (gross)	54.5	15.9	70.4
VAT	-8.7	-2.5	-11.2
Sales (net)	**45.8**	**13.3**	**59.2**
Cost of sales	-23.0	-7.7	-30.8
Gross profit	**22.8**	**5.6**	**28.4**
Personnel expenses	-3.9	-1.8	-5.7
Cost of occupancy	-7.7	-1.4	-9.1
Interests	-0.5	-0.2	-0.8
Segment results	**10.6**	**2.1**	**12.8**
Cash discounts, other discounts et cetera on cost of sales			1.2
Other operational income			2.6
Other personnel expenses			-6.3
Depreciation			-2.1
Other expenses			-1.3
Other financial result			-0.6
Taxes on income			-2.0
Net profit for the period			**4.2**
Minority interests in net profit for the period			-0.2
Net profit for the period after minorities			**4.1**

€m	Textile	Non-textile	Group
7/1/2012 - 9/30/2012			
Sales (gross)	19.0	5.5	24.5
VAT	-3.0	-0.9	-3.9
Sales (net)	**16.0**	**4.6**	**20.6**
Cost of sales	-8.1	-2.6	-10.7
Gross profit	**7.9**	**2.0**	**9.9**
Personnel expenses	-1.3	-0.6	-1.9
Cost of occupancy	-2.5	-0.5	-3.0
Interests	-0.2	-0.1	-0.3
Segment results	**3.9**	**0.8**	**4.7**
Cash discounts, other discounts et cetera on cost of sales			0.4
Other operational income			1.0
Other personnel expenses			-2.2
Depreciation			-0.7
Other expenses			-0.6
Other financial result			-0.2
Taxes on income			-0.8
Net profit for the period			**1.7**
Minority interests in net profit for the period			-0.1
Net profit for the period after minorities			**1.7**

Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – September 30, 2011, acc. to IASB

€m	Textile	Non-textile	Group
1/1/2011 – 9/30/2011			
Sales (gross)	53.8	15.8	69.6
VAT	-8.6	-2.5	-11.1
Sales (net)	**45.2**	**13.2**	**58.5**
Cost of sales	-22.8	-7.6	-30.5
Gross profit	**22.4**	**5.6**	**28.0**
Personnel expenses	-4.0	-1.8	-5.8
Cost of occupancy	-8.0	-1.5	-9.5
Interests	-0.5	-0.2	-0.8
Segment results	**9.8**	**2.1**	**11.9**
Cash discounts, other discounts et cetera on cost of sales			1.5
Other operational income			2.3
Other personnel expenses			-6.6
Depreciation			-2.2
Other expenses			-1.6
Other financial result			-0.4
Taxes on income			-2.6
Net profit for the period			**2.4**
Minority interests in net profit for the period			–
Net profit for the period after minorities			**2.4**

€m	Textile	Non-textile	Group
7/1/2011 - 9/30/2011			
Sales (gross)	19.2	5.4	24.6
VAT	-3.1	-0.9	-3.9
Sales (net)	**16.1**	**4.6**	**20.7**
Cost of sales	-8.3	-2.6	-10.9
Gross profit	**7.8**	**2.0**	**9.8**
Personnel expenses	-1.4	-0.6	-2.0
Cost of occupancy	-2.6	-0.5	-3.1
Interests	-0.2	-0.1	-0.3
Segment results	**3.6**	**0.8**	**4.4**
Cash discounts, other discounts et cetera on cost of sales			0.5
Other operational income			0.9
Other personnel expenses			-2.0
Depreciation			-0.7
Other expenses			-0.4
Other financial result			-0.3
Taxes on income			-2.0
Net profit for the period			**1.0**
Minority interests in net profit for the period			–
Net profit for the period after minorities			**1.0**

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – September 30, 2012, acc. to IASB

€m	1/1/2012 – 9/30/2012	1/1/2011 – 9/30/2011
Cash flow from operating activities:		
Earnings before taxes	6,2	5,0
Adjustments for:		
+ Depreciation of fixed assets	2,1	2,2
+ Interest expenses	1,4	1,5
+ Minority interest profit	0,0	-0,3
Operating result before changes to working capital	**9,7**	**8,3**
Increase/decrease (-/+) in assets	-4,0	-3,8
Increase/decrease (+/-) in liabilities	0,3	-0,9
Cash flow from operating activities (before interest and tax payments)	**5,9**	**3,6**
Interest paid	-1,1	-1,3
Disbursements to minorities	-0,5	-0,5
Taxes on income paid	-5,4	-4,0
Cash flow from operating activities	**-1,2**	**-2,3**
Disbursements for investments in fixed assets	-2,0	-1,0
Cash flow from investing activities	**-2,0**	**-1,0**
Divident payment	-1,7	-1,3
Acceptance/repayment of bank liabilities	1,9	0,6
Acceptance/repayment of other liabilities	-0,4	-0,4
Cash flow from financing activities	**-0,2**	**-1,0**
Changes in cash and cash equivalents not affecting cash flows	-3,4	-4,3
Cash and cash equivalents at beginning of period	3,9	4,8
Cash and cash equivalents at the end of period	**0,6**	**0,5**

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – September 30, 2012, acc. to IASB

€m	Subscribed capital	Capital reserve	Accu-mulated profit	Equity participaction acc. to "anticipated acquisition method"	Total
Balance as of 1/1/2012	9.4	3.5	31.9	8.9	53.7
Net profit for the period			4.2		4.2
Dividend payment			-1.7		-1.7
Change in equity participation item acc. to "anticipated acquisition method"			0.2	-0.7	-0.5
Balance as of 9/30/2012	9.4	3.5	34.7	8.2	55.8
Balance as of 1/1/2011	9.4	3.5	19.6	15.1	47.6
Net profit for the period			2.4		2.4
Dividend payment			-1.3		-1.3
Change in equity participation item acc. to "anticipated acquisition method"				**-0.1**	-0.1
Balance as of 9/30/2011	9.4	3.5	20.6	15.0	48.6