ludwig Beck

Consolidated Interim Report

for the 2nd Quarter and the 1st six Months of the Fiscal Year 2012
for the Period from January 1 to June 30, 2012

LUDWIG BECK
seit 1861

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Key Figures of the Group

€m	1/1/2012 – 6/30/2012	1/1/2011 – 6/30/2011
Sales (gross)	45.9	45.0
Sales (net)	38.6	37.8
Gross profit [1]	19.3	19.3
Earnings before interests, taxes on income, depreciation and amortisation (EBITDA)	6.0	4.7
Operational result (EBIT)	4.6	3.2
Earnings before taxes on income (EBT)	3.7	2.0
Net profit for the period after minority interests	2.4	1.4
Earnings per share (in €)	0.68	0.37
Investments	0.7	0.6
Employees (as of 6/30) [2]	459	453
Apprentices (no.)	51	46

[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). 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

So far, the long-term stress of the European debt crisis did not significantly affect the German economy. However, during the 1st half of 2012 quarrels over bailout funds, austerity packages and shifting positions of Southern Euro countries slowed down the rebound of the German economy – albeit only moderately. Therefore, analysts of the Kiel Institute for the World Economy (IfW) remain carefully optimistic and predict another slight upward movement in the German dynamic. As before, this rise is mostly fueled by very low interest rates leading to a rise in residential construction and business investments into new equipment. Consumer spending remains high and thus counts as another reliable pillar of domestic economic activity.

Retail trade development

The Schlecker insolvency had a medium effect on the retail trade development, but barely affected the overall industry trend. A stable consumer mood continued to withstand all prophecies of doom coming from Euro crisis summits. Only the development in energy costs gave cause for slight uncertainty. However, textile retail remained in decline. Merchants of all shades and from all regions reported a 2% drop in sales (source: TextilWirtschaft). A rainy April and an equally wet May rained on the parade of the industry sector's positive expectations.

LUDWIG BECK development of sales

With a clear rise in sales figures, LUDWIG BECK, again, successfully expanded its position as one of Munich's leading department stores and one of Germany's most profitable trading firms. Focusing trading activities on the flagship store at Munich's Marienplatz led to a very positive development of sales volumes in the 2nd quarter of 2012 and in comparison to last year's 1st six months. Gross sales reached € 45.9m, a leap of 2.1% compared to the 1st half of 2011 with € 45.0m. Like-for-like sales even rose 3.9% compared to the 1st half of 2011. According to TextilWirtschaft, in the retail industry sales were down 2% for the same period. Last year, the now closed Augsburg branch still contributed € 0.8m to the sales volume of the 1st six months.

With sales of € 44.3m (previous year: € 42.3m), a 4.6% rise compared to last year's sales, the Marienplatz flagship store's (incl. FÜNF HÖFE) share in these top results is disproportionately high.

Earnings situation

LUDWIG BECK's strong competitive position and continued efforts to optimize costs throughout the Group positively influenced the overall earnings situation.

At € 19.3m, gross profits moved laterally compared to last year's € 19.3m. The gross profit margin reached 50.0% (previous year: 51.0%). Predominantly non-recurring items and contributions by suppliers for the 150-year anniversary led to a better gross profit margin in the previous year.

At € 14.7m, the absolute expenses against corresponding income were clearly below last year's € 16.1m. In the 1st half of 2012, the expense ratio (expenses against corresponding income in relation to net sales) fell by 4.3%-points to 38.1% (last year: 42.5%).

During the 1st half of 2012, EBIT reached € 4.6m and thus exceeded the previous year's result of € 3.2m by € 1.4m. The EBIT margin rose to 11.8% compared to 8.5% in the previous year. In 2011, net effects resulting from the 150-year anniversary weighed on profits with € 0.7m.

Earnings before taxes (EBT) rose to € 3.7m in the 1st half of 2012 (previous year: € 2.0m), due to a further improvement of the financial result to € -0.9m (previous year: € -1.2m). Thus EBT increased by 80.5%. The EBT margin soared to 9.5% (previous year: 5.4%).

Earnings after tax and minority interests (net profit for the period after minority interests) reached € 2.4m (previous year: € 1.4m) and improved by 77.4% compared to last year.

As part of the strategic focus on the flagship store at Munich's Marienplatz, the Esprit branch located in the Olympia Shopping Mall was sold as of June 30, 2012. This sale was positively reflected in the earnings of the 1st half of 2012 with € 0.2m.

Financial situation

Cash flow

In the 1st half of 2012, cash flow from current operating activities amounted to € 0.3m (2011: € -1.1m); this includes taxes on income paid in the amount of € 3.7m (previous year: € 2.1m). Cash outflow from investment activities slightly rose to € 0.7m in the reporting period (previous year: € 0.6m). Cash flow from financing activities was € -3.1m (previous year: € -1.8m).

Asset Situation

Balance sheet structure

At the end of period, June 30, 2012, the balance sheet total of the LUDWIG BECK Group was € 103.3m and thus lower than last year's total (December 31, 2011: € 107.6m). Long-term assets remained almost unchanged and amounted to € 91.8m in aggregate at the end of period (December 31, 2011: € 92.5m). As in the previous year, fixed assets – mainly consisting of the real estate at Munich's Marienplatz – accounted for the largest portion of the total assets with € 88.5m (December 31, 2011: € 89.1m).

As usual, inventories were the biggest item in short-term assets, accounting for € 9.6m. They remained almost the same compared to € 9.5m as of December 31, 2011. Thus liquid funds were mostly responsible for the reduction of the balance sheet total. They dropped from € 3.9m at the end of 2011 to € 0.5m on June 30, 2012. All in all, short-term assets added up to € 11.5m, thus clearly falling short of last year's value of € 15.2m on the balance sheet date, December 31, 2011.

The balance sheet of the fashion group, again, presented an increase of the equity ratio to 52.5% on June 30, 2012 (December 31, 2011: 49.9%). Therefore, at the end of period, the LUDWIG BECK Group held equity in the amount of € 54.2m compared to € 53.7m on December 31, 2011.

The Group was able to cut its aggregate liabilities by € 4.8m to the amount of € 49.1m (December 31, 2011: € 53.9m), largely due to a strong reduction of € 7.4m in short-term liabilities. The reduction of short term liabilities to credit institutions by € 4.3m, from € 9.9m to € 5.6m, was largely due to the refinancing of the real estate at Marienplatz. In return, long-term liabilities to credit institutions rose by € 3.1m. Tax liabilities recorded with € 3.6m in the previous year were only € 1.5m at the end of period date, June 30, 2012.

Employees

In the first six months of 2012 the number of employees (apprentices not included) was 451 in accordance with Section 267 par. 5 Commercial Code (previous year: 460). The weighted number of full-time employees at Group level also went down to 323 (previous year: 328). At the end of period, June 30, 2012, LUDWIG BECK employed 51 apprentices (previous year: 46).

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 **www.ludwigbeck.de/english/ir-english/financial-publications/quarterly-reports/**.

Forecast report

Business and general conditions

So far, the Euro crisis did not affect Germany, however, a wave of negative influences spills over into the economy. Favorable interest rates and a willingness of businesses to continue to invest vigorously counter the uncertainty rampant in Europe. In addition, German exports are progressively weakening, industrial production last was on a slight decline and incoming order volumes are passably satisfactory. At the same time, disposable personal income grew significantly and the Germans display an unstoppable propensity to consume. Out of this mix of pros and cons and influential factors, the Institute for the World Economy (IfW) foresees a somewhat feeble expansion of the German economy and a 0.9% growth of the gross domestic product for the rest of 2012. The number of unemployed people is expected to decrease by 115,000 to 2.86m. Solely influenced by domestic factors, inflation will average 2.0%, so the IFW. The ifo-Institute for Economic Research calculated only a 0.7% growth of the GDP in 2012. According to their calculations, the German economy will not pick up speed until the 4th quarter. However, ifo president Hans-Werner Sinn emphasized how much forecast uncertainty has increased.

The Association for Consumption Research (GfK) detected an abrupt decline in business confidence among consumers, which is still outshined by continued high income expectations. Propensity to buy is growing, thus buyer confidence will remain stable, the market researchers predict, thus confirming their prognosis from the beginning of the year. The researchers confidently estimate a one percent growth in private consumption in 2012. In their current study, the GfK nonetheless warns that outside risks should not be underestimated.

Retail trade development

GfK's consumer confidence index shows a propensity to buy symptomatic for times of crisis. Due to extremely low interest rates and an all but nonexistent trust in financial markets, there are no incentives to put away for savings. The citizens feel encouraged to buy items of value and to afford things for themselves in times of uncertain perspectives.

The German Trade Association (HDE) too, considers the retail trade to be crisis-proof and forecasts a nominal growth in sales of 1,5% for the 2nd half of 2012. It is hard to predict if the textile retail sector will be able to profit from the thriving trade conditions during the 2nd half of 2012. Not only does the situation in Greece, Spain and other countries give cause for concern – the weather, all-important for the industry, does not mean well for the good intentions of the forecasters.

LUDWIG BECK 2012

For the LUDWIG BECK AG it since has become a tradition to exceed industry trends over and over again. The 1st half of 2012 is no exception. With great ambition, LUDWIG BECK started a year promising great outside turbulences. As the pleasing results for the 1st half of 2012 show, the company was correct in raising the bar higher than many competitors would feel confident to do.

Not only does the shopping mood of Germans in general remain at a high level, but so does the propensity to consume of LUDWIG BECK's customers in particular – and it will continue to do so, management assesses. This is partly due to tourists from the Russian Federation and the United Arab Emirates visiting the flagship store – a trend that will be very important for future growth potential.

On the strength of the company's progress, management has every reason to welcome the experts' forecasts for this summer and feels affirmed in its assessment about the further development of the current fiscal year.

While the textile sector struggled with the weather, the euro crisis, non-shopping holidays, and unprofitable bridge days, the flagship store at Munich's Marienplatz once again proved to be a reliable guarantor for exceptional business profits. It has always been LUDWIG BECK's goal to be a predictable factor for staff members, investors, and business partners. This is not only true for a prudent company policy in general, but also for business profits with a high stability factor and calculable growth potential in particular.

One of these in-house measures is the consistent application of the "trading up" strategy, providing for continuous upgrading of the product selection. Premium products for premium standards – displayed in exclusive and imaginative productions at Marienplatz, in the heart of Munich, one of the world's most attractive business locations. Flair, class, rarity, and charisma – a description of the LUDWIG BECK brand. These are, in combination with stringent cost management, the cornerstones on which LUDWIG BECK builds outstanding expected rates of return and achieves them, too.

Under the wholly owned subsidiary ludwigbeck.de GmbH, an e-commerce platform is in the making to accompany the physical store location. Management intends to start producing sales out of the activities in the cosmetics sector in the 4th quarter of 2012. The company strongly emphasizes its forecast for the current fiscal year of a branch-adjusted sales growth of 2% to 3% and earnings before taxes (EBT) between € 10.0m and € 12.0m. In the current year, it expects to clearly outdo last year's result of € 11.3m.

Munich, in July 2012
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, 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 semi-annual financial report has not undergone a review or audit pursuant 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.

Corporate Affidavit pursuant to § 37y Securities Trading Act (WpHG) in conjunction with § 37w par. 2 no. 3 Securities Trading Act (WpHG)

"To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements give a true and fair view of the earnings, financial and asset situation of the Group, and the interim management report of the Group 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."

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, 2012, acc. to IASB

€m	1/1/2012 – 6/30/2012		1/1/2011 – 6/30/2011		4/1/2012 – 6/30/2012		4/1/2011 – 6/30/2011	
1. Sales revenue								
- sales (gross)	45.9		45.0		23.0		23.0	
- minus VAT	7.3		7.2		3.7		3.7	
- sales (net)		38.6		37.8		19.3		19.3
2. Other own work capitalized		0.1		0.0		0.0		0.0
3. Other operating income		1.5		1.4		0.8		0.6
		40.2		**39.2**		**20.2**		**19.9**
4. Cost of materials	19.3		18.5		9.4		9.1	
5. Personnel expenses	7.9		8.4		4.0		4.4	
6. Depreciation	1.4		1.5		0.7		0.7	
7. Other operating expenses	7.0	35.6	7.6	36.0	3.4	17.5	3.2	17.5
8. EBIT		**4.6**		**3.2**		**2.7**		**2.4**
9. Financial result		-0.9		-1.2		-0.4		-0.6
- Of which financing expenses € 0.9m (previous year: € 0.9m)								
- Of which minority interests € 0.0m (previous year: € 0.3m)								
10. Earnings before taxes on income (EBT)		**3.7**		**2.0**		**2.3**		**1.8**
11. Taxes on income		1.2		0.7		0.7		0.6
12. Net profit for the period		**2.5**		**1.4**		**1.5**		**1.2**
13. Minoriy interests in net profit for the period		0.1		0.0		0.1		0.0
14. Net profit for the period after minory interests		**2.4**		**1.4**		**1.5**		**1.2**
Earnings per share (undiluted and diluted) in €		0.68		0.37		0.42		0.33
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, 2012, acc. to IASB

Assets		6/30/2012	12/31/2011	6/30/2011
		€m	€m	€m
A.	**Long-term assets**			
I.	Intangible assets	3.1	3.2	2.9
II.	Property, plant and equipment	88.5	89.1	90.0
III.	Other assets	0.1	0.1	0.1
	Total long-term assets	**91.8**	**92.5**	**93.1**
B.	**Short-term assets**			
I.	Inventories	9.6	9.5	9.7
II.	Receivables and other assets	1.5	1.7	1.0
III.	Cash and cash equivalents	0.5	3.9	1.2
	Total short-term assets	**11.5**	**15.2**	**11.8**
		103.3	**107.6**	**104.9**

Shareholders´ equity and liabilities		6/30/2012	12/31/2011	6/30/2011
		€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	32.9	31.9	19.6
IV.	Equity participation acc. to "anticipated acquisition method"	8.4	8.9	15.0
	Total shareholders' equity	**54.2**	**53.7**	**47.6**
B.	**Potential compensation claim by minority shareholders**	**0.0**	**0.0**	**9.3**
C.	**Long-term liabilities**			
I.	Liabilities to banks	30.7	27.6	16.8
II.	Accruals	0.6	0.6	0.6
III.	Other financial liabilities	3.9	4.1	3.3
IV.	Deferred tax liabilities	0.8	1.2	3.1
	Total long-term liabilities	**36.1**	**33.5**	**23.8**
D.	**Short-term liabilities**			
I.	Liabilities to banks	5.6	9.9	16.3
II.	Other financial liabilities	0.6	0.6	0.5
III.	Trade liabilities	1.2	1.4	1.4
IV.	Tax liabilities	1.5	3.6	2.8
V.	Other liabilities	4.1	5.0	3.4
	Total short-term liabilities	**13.0**	**20.4**	**24.3**
	Total debt (B. - D.)	**49.1**	**53.9**	**57.3**
		103.3	**107.6**	**104.9**

Consolidated Segment Reporting

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

€m	Textile	Non-textile	Group
1/1/2012 - 6/30/2012			
Sales (gross)	35.5	10.4	45.9
VAT	-5.7	-1.7	-7.3
Sales (net)	**29.8**	**8.7**	**38.6**
Cost of sales	15.0	5.1	20.0
Gross profit	**14.9**	**3.7**	**18.5**
Personnel expenses	2.6	1.2	3.8
Cost of occupancy	5.2	1.0	6.2
Interests	0.3	0.2	0.5
Segment results	**6.7**	**1.3**	**8.0**
Cash discounts, other discounts et cetera on cost of sales			0.7
Other operational income			1.6
Other personnel expenses			4.1
Depreciation			1.4
Other expenses			0.8
Other financial result			-0.4
Taxes on income			1.2
Net profit for the period			**2.5**

€m	Textile	Non-textile	Group
4/1/2012 - 6/30/2012			
Sales (gross)	18.0	5.0	23.0
VAT	-2.9	-0.8	-3.7
Sales (net)	**15.2**	**4.2**	**19.3**
Cost of sales	7.3	2.5	9.8
Gross profit	**7.8**	**1.7**	**9.6**
Personnel expenses	1.4	0.6	2.0
Cost of occupancy	2.6	0.5	3.1
Interests	0.2	0.1	0.2
Segment results	**3.7**	**0.5**	**4.2**
Cash discounts, other discounts et cetera on cost of sales			0.4
Other operational income			0.9
Other personnel expenses			2.0
Depreciation			0.7
Other expenses			0.3
Other financial result			-0.2
Taxes on income			0.7
Net profit for the period			**1.5**

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

€m	Textile	Non-textile	Group
1/1/2011 – 6/30/2011			
Sales (gross)	34.6	10.3	45.0
VAT	-5.5	-1.6	-7.2
Sales (net)	**29.1**	**8.7**	**37.8**
Cost of sales	14.5	5.1	19.6
Gross profit	**14.6**	**3.6**	**18.2**
Personnel expenses	2.6	1.2	3.9
Cost of occupancy	5.4	1.0	6.4
Interests	0.3	0.2	0.5
Segment results	**6.2**	**1.3**	**7.5**
Cash discounts, other discounts et cetera on cost of sales			1.0
Other operational income			1.4
Other personnel expenses			4.5
Depreciation			1.5
Other expenses			1.3
Other financial result			-0.7
Taxes on income			0.7
Net profit for the period			**1.4**

€m	Textile	Non-textile	Group
4/1/2011 - 6/30/2011			
Sales (gross)	17.9	5.1	23.0
VAT	-2.9	-0.8	-3.7
Sales (net)	**15.0**	**4.3**	**19.3**
Cost of sales	7.1	2.5	9.6
Gross profit	**8.0**	**1.7**	**9.7**
Personnel expenses	1.4	0.6	2.0
Cost of occupancy	2.7	0.5	3.1
Interests	0.2	0.1	0.2
Segment results	**3.8**	**0.6**	**4.4**
Cash discounts, other discounts et cetera on cost of sales			0.4
Other operational income			0.6
Other personnel expenses			2.4
Depreciation			0.7
Other expenses			0.1
Other financial result			-0.4
Taxes on income			0.6
Net profit for the period			**1.2**

Consolidated Cash Flow Statement

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

€m	1/1/2012 – 6/30/2012	1/1/2011 – 6/30/2011
Cash flow from operating activities:		
Earnings before taxes on income	3.7	2.0
Adjustments for:		
+ Depreciation of fixed assets	1.4	1.5
+ Interest expenses	0.9	0.9
+ Minority interest profit	–	0.3
Operating result before changes to working capital	**6.0**	**4.7**
Increase/decrease (-/+) in assets	0.1	-0.6
Increase/decrease (+/-) in liabilities	-1.0	-2.0
Cash flow from operating activities (before interest and tax payments)	**5.1**	**2.1**
Interest paid	-0.8	-0.8
Disbursements to minorities	-0.4	-0.4
Taxes on income paid	-3.7	-2.1
Cash flow from operating activities	**0.3**	**-1.1**
Disbursements for investments in fixed assets	-0.7	-0.6
Cash flow from investing activities	**-0.7**	**-0.6**
Divident payment	-1.7	-1.3
Acceptance/repayment of bank liabilities	-1.2	-0.3
Acceptance/repayment of other liabilities	-0.3	-0.2
Cash flow from financing activities	**-3.1**	**-1.8**
Changes in cash and cash equivalents not affecting cash flows	-3.5	-3.6
Cash and cash equivalents at beginning of period	3.9	4.8
Cash and cash equivalents at the end of period	**0.5**	**1.2**

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 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			2.5		2.5
Dividend payment			-1.7		-1.7
Change in equity participation item acc. to "anticipated acquisition method"			0.2	-0.5	-0.4
Balance as of 6/30/2012	**9.4**	**3.5**	**32.9**	**8.4**	**54.2**
Balance as of 1/1/2011	**9.4**	**3.5**	**19.6**	**15.1**	**47.6**
Net profit for the period			1.4		1.4
Dividend payment			-1.3		-1.3
Change in equity participation item acc. to "anticipated acquisition method"				**-0.1**	-0.1
Balance as of 6/30/2011	**9.4**	**3.5**	**19.6**	**15.0**	**47.6**