Half-year report 2008

for the period January 1 to June 30, 2008

LUDWIG BECK

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Key Figures of the Group

€m	Jan. 1, 2008 –Jun. 30, 2008	Jan. 1, 2007 –Jun. 30, 2007
Gross sales (incl. sales tax)	43.8	46.2
Gross profit [1]	17.6	18.2
EBITDA	3.1	2.8
EBIT	1.3	1.1
Net loss	-0.1	-0.3
Earnings per share (in €) [2]	-0.11	-0.15
Capital expenditures	3.5	1.7
Employees (as of Jun. 30) [3]	519	533
Apprentices (no.)	38	42

[1] Net sales minus cost of materials [2] Basis 2007: 3.4m shares; basis 2008: 3.7m shares [3] 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 annual 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 2007.

Report on the earnings, financial and asset situation

Earnings situation

Development of sales

In the first half of 2008, the textile branch was not able to repeat the results of the previous year. While at the beginning of 2007 warm weather tempted customers to buy new spring fashion, this year kept customers waiting quite a while for summer temperatures to appear. Therefore, fashion branch sales developed worse than in the previous year. According to a 'TextilWirtschaft' survey, the textile retail branch had to put up with a distinct decline in sales in the first six months of 2008 and scored a 4 % minus.

LUDWIG BECK however was able to generate gross sales on comparable areas in the amount of € 43.8m (previous year: € 45.1m) in the first half of 2008, corresponding to a minus of only 2.9 %. Not calculated on a like-for-like basis gross sales also amounted to € 43.8m and fell 5.3 % below last year's level (€ 46.2m). Sales of preceding years still included the branch at Perlacher Einkaufspassagen (pep) which was closed as per December 31, 2007.

The drop in sales can be explained by the excellent results of last year's summer clearing sale on the one hand. On the other hand, LUDWIG BECK was not able to evade the wide-spread bad consumption mood triggered by cool weather, rising inflation and high energy prices.

Once again reconstruction measures, especially concerning the creation of new sales space on the 5th floor – used as storage room before – were carried out at the "Store of the Senses", the traditional top-selling establishment of the LUDWIG BECK group. In the middle of May, the renowned music department could be reopened on a sales area covering approximately 1,000 square meters.

As usual, LUDWIG BECK, the stationary retailer with premium ambience now offers the world's largest selection of classical and jazz music. The audio book department was enlarged and the DVD assortment extended. Visitors appreciating the new atmosphere and enjoying competent and unique advice gave the department a double-digit sales boost in the short period since its relaunch. The enterprise is especially proud of the 'ECHO Classic 2008' award that will be granted to LUDWIG BECK's new music department in Munich in October for "Creating an Extraordinary and Up-to-date Presentation of Classical Music".

Earnings situation

In the first half of 2008, gross profits of LUDWIG BECK at group level came to € 17.6m, i.e. 3.2 % below last year's level (€ 18.2m). However, the gross profit margin could be increased by 1.1 percentage points and amounted to 47.9 % (previous year: € 46.8 %).

Even though the 44.3 % expense ratio (expenses in comparison to corresponding proceeds) slightly exceeded that of the previous year (44.1 %) in the first six months of 2008, expenses in comparison to corresponding proceeds could be reduced to € 16.3m in absolute amounts (previous year: € 17.1m).

Hence, the LUDWIG BECK group, despite of a drop in sales, was able to increase EBIT by 23.0 % from € 1.1m in the previous year to € 1.3m. Income from ordinary activities (EBT) rose even more and increased by € 0.4m from € -0.6m to € -0.2m in comparison to last year's results.

Financial situation

Cash flow

The cash flow from current business amounted to € -1.5m (previous year: € 0.0m) in the first half of 2008. Due to the investment offensive, the cash flow from investments went down from € -1.7m in the first half of 2007 to € -3.5m in the first half of 2008, as the investment focus shifted to the first six months of the reporting year in comparison to the previous year. This is also the reason why the cash flow from financing activities went up to € 4.1m in comparison to the previous year (€ 2.2m).

Investments

Investment expenses on group level mainly relating to the extension of the 5th floor of the "Store of the Senses" and the creation of new sales space climbed by € 1.8m from € 1.7m to € 3.5m in the first half of 2008.

Asset situation

Balance sheet structure

The balance sheet total of the LUDWIG BECK group went up to € 108.9m as per the relevant date, June 30, 2008 (December 31, 2007: € 107.4m).

The increased balance sheet total is mainly due to investments in long-term assets and the seasonal increase in stock. The reduction of accounts receivable and other assets as well as the reduction of liquid funds have a contrary effect.

The company's equity capital decreased from € 40.2m to € 38.7m owing to dividend payments as resolved by the General Meeting on May 9, 2008 (€ -1.1m) and the result of the first six months (€ -0.4m).

Increased liabilities as of per the relevant date were mainly due to investments and larger stocks. Liabilities amounted to € 61.4m in total (December 31, 2007: € 58.4m). As regards other short-term liabilities, three loans in the aggregate amount of € 4.0m were redeemed. Redemption increased short-term liabilities vis-à-vis banks.

Employees

In accordance with 267 para 5 Commercial Code (HGB), the number of employees (without apprentices) was 521 (previous year: 525). The weighted number of full-time employees at group level decreased to 373 (previous year: 379). At the relevant date, June 30, 2008, 38 apprentices (previous year: 42) were employed by LUDWIG BECK.

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 business report for the year 2007 (page 63 et seq.). It can also be found on our website **www.ludwigbeck.de** under Investor Relations/Financial publications.

Forecast report

The leading economic research institutes expect a distinct economic slowdown for 2008 and 2009. It is true that in the current year the Institute for World Economics (IfW) in Kiel and the German Institute for Economic Research (DIW) corrected their 2008 growth forecasts for the German gross domestic product to 2.1 % (IfW), respectively 2.7 % (DIW) due to the extraordinarily successful 1st quarter of 2008. The IfW lowered its growth expectations for 2009 from 1.2 % to 1.0 %, the DIW from 1.7 % to 1.2 %. In the year 2007, the German economy had grown 2.5 %.

The slowdown is explained by waning impulses from abroad, modest investment dynamics and restrained consumer spending. Private consumption is said to suffer severely from the strong increase in energy prices and soaring consumer prices climbing to their highest since 1994. According to the Association for Consumption Research (GfK) the larger part of real income increases falls flat because of the persistently high rate of price increases which renders income increases ineffective. The readiness to make larger purchases is severely subdued – according to the GfK the propensity to buy is at its lowest level in three years. Private consumption is expected to climb only 0.5 % this year.

According to the Main Association of the German Retail Trade (HDE), the traditional retail trade also strikes a muted balance. The Association expects a 1.5 % growth plus for the whole year 2008, equaling an inflation adjusted minus of approximately 1 %.

Despite of the general branch development, LUDWIG BECK remains optimistic and strongly backs its own economic development. The Executive Board expects a distinctly stronger sales development in the second half of 2008 and again confirms the published target figures for the whole fiscal year 2008.

As of December 2008, financial dates for the upcoming fiscal year 2009 will be published on the corporate website **www.ludwigbeck.de**. The next General Meeting of the company will be held on May 15, 2009.

Munich, in July 2008
The Executive Board

Appendix

Accounting in compliance with International Financial Reporting Standards (IFRS)

The present quarterly accounts of the LUDWIG BECK AG group as of June 30, 2008 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, 2007. A comprehensive description of these methods is contained in the Appendix to the published IFRS group accounts as per December 31, 2007.

Relationships with closely related enterprises and persons

Beside the relationships with closely related enterprises and persons named in the group accounts as of December 31, 2007, it has to be mentioned that LUDWIG BECK AG paid back two short-term loans in the aggregate amount of € 2.5m to ATON GmbH, Fulda.

The half-year financial statements were not subject to an audit in accordance with Section 317 German Commercial Code (HGB), or were they subject to a review by the auditor of the financial statements.

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 Section 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 Income Statement

Consolidated income statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2008, acc. to IASB

	Jan. 1, 2008 –Jun. 30, 2008		Jan. 1, 2007 –Jun. 30, 2007		Apr. 1, 2008 –Jun. 30, 2008		Apr. 1, 2007 –Jun. 30, 2007	
	€m		€m		€m		€m	
1. Sales revenues								
- sales (gross)	43.8		46.2		22.2		23.2	
- minus sales tax	7.0	36.8	7.4	38.9	3.5	18.7	3.7	19.5
2. Other operating income		1.6		1.2		0.8		0.5
		38.5		**40.0**		**19.5**		**20.0**
3. Cost of materials	19.2		20.7		9.5		10.2	
4. Personnel expenses	8.3		8.5		4.2		4.3	
5. Depreciation	1.8		1.7		0.9		0.9	
6. Other operating expenses	7.9	37.2	8.0	39.0	3.9	18.4	3.9	19.2
7. EBIT		**1.3**		**1.1**		**1.1**		**0.8**
8. Financial result of which financing expenses € 1.5m (previous year: € 1.7m)		-1.5		-1.6		-0.7		-0.8
9. EBT		**-0.2**		**-0.6**		**0.4**		**0.0**
10. Deferred taxes		0.0		-0.3		0.1		0.0
11. Consolidated net profit/ (-) net loss		**-0.1**		**-0.3**		**0.3**		**0.0**
12. Minority interests		0.3		0.2		0.2		0.1
13. Consolidated net profit/ (-) net loss after minority interests		**-0.4**		**-0.5**		**0.1**		**0.0**
Earnings per share (undiluted and diluted) in €		-0.11		-0.15		0.04		-0.01
Average number of outstanding shares in thousands		3.70		3.36		3.70		3.36

Consolidated Segment Reporting

Consolidated segment reporting of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1 – June 30, 2008, acc. to IASB

	Multi-label	Mono-label	Group
	€m	€m	€m
Jan. 1, 2008–Jun. 30, 2008			
Non-group sales (net)	34.3	2.5	36.8
Segment result (EBIT)	**1.2**	**0.1**	**1.3**
Quarter Apr. 1, 2008–Jun. 30, 2008			
Non-group sales (net)	17.3	1.3	18.7
Segment result (EBIT)	**1.1**	**0.1**	**1.1**
Jan. 1, 2007–Jun. 30, 2007			
Non-group sales (net)	36.2	2.7	38.9
Segment result (EBIT)	**0.8**	**0.2**	**1.1**
Quarter Apr. 1, 2007–Jun. 30, 2007			
Non-group sales (net)	18.0	1.5	19.5
Segment result (EBIT)	**0.7**	**0.2**	**0.8**

Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as at June 30, 2008, acc. to IASB

Assets	Jun. 30, 2008	Dec. 31, 2007	Jun. 30, 2007
	€m	€m	€m
A. Long-term assets			
I. Intangible assets	3.3	3.3	3.3
II. Property, plant and equipment	90.7	88.9	87.2
III. Deffered taxes	2.4	2.2	4.2
IV. Other assets	0.2	0.2	0.2
	96.6	**94.6**	**95.0**
B. Short-term assets			
I. Inventories	10.3	9.1	9.7
II. Receivables and other assets	1.3	2.0	1.6
III. Cash and cash equivalents	0.7	1.7	1.3
	12.3	**12.8**	**12.6**
	108.9	**107.4**	**107.6**

Shareholders' equity and liabilities	Jun. 30, 2008	Dec. 31, 2007	Jun. 30, 2007
	€m	€m	€m
A. Shareholders equity			
I. Subscribed capital	9.4	9.4	8.6
II. Reserves	13.6	14.0	8.6
III. Net income	0.0	1.2	0.0
IV. Supplementary item from minority interests	15.6	15.6	15.4
	38.7	**40.2**	**32.6**
B. Potential compensation claim by minority shareholders	**8.8**	**8.8**	**8.8**
C. Long-term liabilities			
I. Long-term liabilities to banks	35.5	36.2	37.9
II. Accruals	0.6	0.5	1.0
III. Other liabilities	4.1	4.3	6.3
IV. Deferred tax liabilities	2.7	2.7	4.4
	42.9	**43.7**	**49.7**
D. Short-term liabilities			
I. Liabilities to banks	13.6	3.1	9.9
II. Trade liabilities	1.4	1.9	1.6
III. Tax liabilities	0.1	0.6	0.2
IV. Other liabilities	3.3	9.1	4.9
	18.5	**14.7**	**16.5**
	108.9	**107.4**	**107.6**

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–June 30, 2008, acc. to IASB

	Jan. 1, 2008 –Jun. 30, 2008	Jan. 1, 2007 –Jun. 30, 2007
	€m	€m
Cash flow from operating activities:		
Net loss before minority interests, taxes and extraordinary items	-0.2	-0.6
Adjustments for:		
+ depreciation of fixed assets	1.8	1.7
+ interest expenses	1.5	1.6
Operating result before changes to net working capital	**3.1**	**2.8**
Increase/decrease (-/+) in assets	-0.6	-0.3
Increase/decrease (+/-) in liabilities	-2.6	-0.8
Net cash from operating activities (before interest payments)	**-0.1**	**1.7**
Interest paid	-1.4	-1.6
Net cash from operating activities	**-1.5**	**0.0**
Disbursements for additions to fixed assets	-3.5	-1.7
Net cash used in investing activities	**-3.5**	**-1.7**
Disbursements to minority interests	-0.3	-0.3
Dividend payment	-1.1	-0.7
Acceptance/repayment of bank liabilities	9.8	2.4
Acceptance/repayment of other net interest-bearing liabilities	-4.0	1.0
Acceptance/repayment of other long-term borrowing (finance leasing)	-0.3	-0.3
Net cash from financing activities	**4.1**	**2.2**
Change in cash and cash equivalents	-1.0	0.5
Cash and cash equivalents at beginning of period	1.7	0.8
Cash and cash equivalents at end of period	**0.7**	**1.3**

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1–June 30, 2008, acc. to IASB

	Share capital	Capital reserve	Generated capital	Supplementary item from minority interests	Total
	€m	€m	€m	€m	€m
Balance as of Jan. 1, 2008	9.4	3.5	11.7	15.6	40.2
Net loss after minority interests			-0.4		-0.4
Dividend payment			-1.1		-1.1
Balance as of Jun. 30, 2008	**9.4**	**3.5**	**10.2**	**15.6**	**38.7**
Balance as of Jan. 01, 2007	8.6	0.0	9.8	15.4	33.8
Net loss after minority interests			-0.5		-0.5
Dividend payment			-0.7		-0.7
Balance as of Jun. 30, 2007	**8.6**	**0.0**	**8.6**	**15.4**	**32.6**