ANNUAL REPORT

2021

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Annual Report 2021

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1 To Our *Shareholders*

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THERE ARE DEPARTMENT STORES, FASHION HOUSES, AND TEMPLES OF CONSUMERISM – AND THEN THERE IS *LUDWIG BECK*. WHETHER FOR OUR CUSTOMERS, EMPLOYEES, INVESTORS, AND BUSINESS PARTNERS, WE STRIVE TO BE RECOGNIZED AS MUCH FOR OUR HONESTY, *UNIQUENESS*, AND DESIRABILITY AS FOR THE EXCLUSIVE BRANDS WE OFFER.

STYLE HAS A NEW HOME.

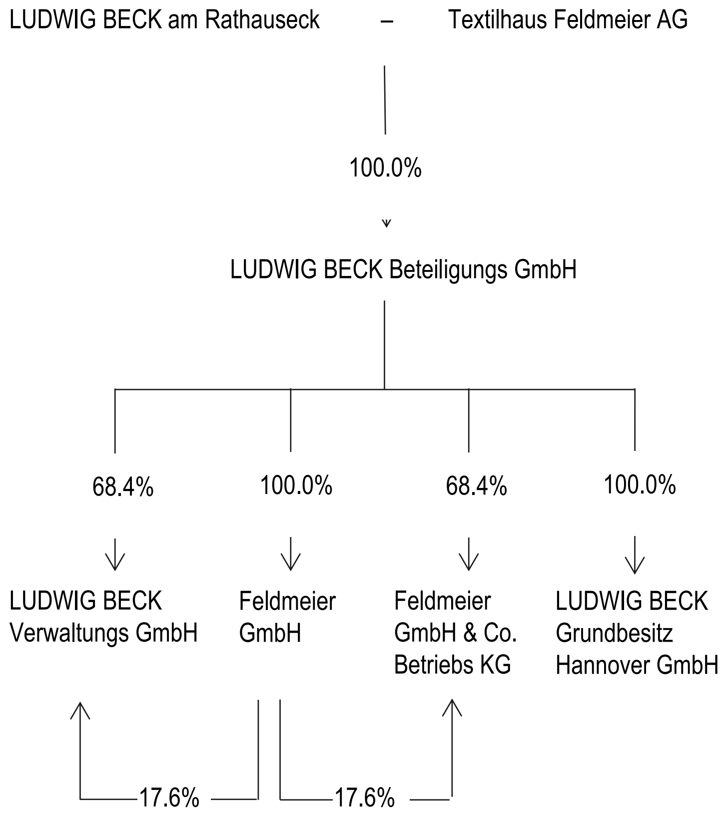
LUDWIG BECK.

Key Figures of the Group

		2021	2020	2019*)	2018*)	2017
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	66.0	60.4	95.3	95.5	173.2
VAT	€m	10.6	8.9	15.2	15.2	27.6
Sales (net)	€m	55.4	51.5	80.1	80.3	145.6
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	25.4	20.5	38.6	38.7	69.6
	%	45.8	39.8	48.2	48.1	47.8
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	€m	13.0	4.3	12.9	10.3	10.9
	%	23.5	8.4	16.1	12.8	7.5
Earnings before interest and taxes (EBIT)	€m	6.69	-1.9	7.0	7.6	6.5
	%	12.0	-3.6	8.7	9.5	4.4
Earnings before taxes (EBT)	€m	4.3	-4.3	4.6	6.9	5.6
	%	7.8	-8.3	5.8	8.5	3.8
Consolidated net profit	€m	3.6	-1.7	3.4	5.0	3.3
	%	6.6	-3.4	4.3	6.2	2.2
Balance sheet						
Equity	€m	63.0	59.6	61.6	75.8	79.4
Equity ratio	%	37.4	32.4	34.8	59.9	60.8
Return on equity before taxes	%	6.9%	-7.1%	7.5%	9.1%	7.0%
Investments	€m	3.0	4.9	1.7	2.5	2.5
Balance sheet total	€m	168.2	183.8	177.2	126.5	130.5
Personnel						
Employees	People	373	397	442	455	874
Personnel expenses	€m	13.2	13.5	17.4	17.4	29.3
	%	23.8	26.3	21.8	21.6	20.2
Net sales per employee (weighted, average)	€k	217.3	194.3	272.4	259.9	253.2
Share						
Number of shares	m.	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	0.98	-0.47	0.93	1.34	0.88
Dividend	€	0.00	0.00	0.00	0.00	0.65
Other details (as of December 31)						
Sales area	sqm	12,400	12,400	12,400	12,400	28,600
Gross sales per square meter	€/sqm	5,312	4,862	7,685	7,702	6,056

*) Continued operations

Group Structure



LUDWIG BECK Executive Board

CHRISTIAN GREINER

CHAIRMAN OF THE BOARD, EXECUTIVE BOARD MEMBER FOR PURCHASING, SALES, AND MARKETING OF LUDWIG BECK AG

In 2004, Christian Greiner developed the Young Fashion concept U1 for Rudolf Wöhrl AG in Nuremberg which he managed as a director until the end of 2007. Since 2008, Christian Greiner has been the managing director of INTRO Retail & Media GmbH and co-owner and managing director of the Nuremberg-based Kreativagentur nuts communication GmbH. In 2010, he changed from the Supervisory Board to the Executive Board of LUDWIG BECK AG and is now responsible for Purchasing, Sales and Marketing.

JENS SCHOTT

EXECUTIVE BOARD MEMBER FOR FINANCE, LOGISTICS, AND IT OF LUDWIG BECK AG

Jens Schott specialized in taxes and accounting during his studies in business administration. From 1998 to 2002, he gained valuable experience in a well-known Munich-based auditing and tax consulting company. Jens Schott has been responsible for Group accounting and financial controlling at LUDWIG BECK AG since 2002 and was the head of Group accounting since 2015.

He has been responsible for finance, logistics and IT since September 1, 2019.

From left: Christian Greiner, Jens Schott

PERSONAL THANKS

The Executive Board would like to thank all employees, customers, and business partners of the LUDWIG BECK Group for the commitment and trust shown to our company in 2021.

Supervisory Boards's Report

In the fiscal year 2021, the Supervisory Board of LUDWIG BECK again dealt intensively and thoroughly with the development and the strategic goals of the group. In doing so, it exercised its advisory, controlling, and monitoring function vis-à-vis the Executive Board with all due diligence. In five meetings, the Supervisory Board discussed issues of corporate management and planning as well as the risk position and risk management with the Executive Board.

The Supervisory Board, in particular the chairman of the Supervisory Board, was in constant exchange with the Executive Board and was informed by the Executive Board extensively and in detail about the ongoing business development.

A key basis for the Supervisory Board's activities were the oral and written reports within the meaning of section 90 Stock Corporation Act (AktG). The Executive Board informed the Supervisory Board regularly and in detail both within and outside the meetings of the Supervisory Board and its committees. Accordingly, the Executive Board directly and comprehensively informed the Supervisory Board in detail about all developments and current events relevant to the company and the group, both orally and in writing. In this way, the Executive Board fully complied with its duties to provide information at all times. No additional or supplementary reports were required.

The Supervisory Board was involved in all major strategic corporate decisions. If necessary, it discussed, reviewed, and approved them. By exercising its supervisory function, the Supervisory Board was able to satisfy itself of the legality and regularity of the corporate management by the Executive Board.

The reporting mainly referred to the business policy and fundamental issues of corporate planning, the profitability of the company, the current business development, internal control systems, compliance, investment and disinvestment decisions, and transactions of primary importance for the profitability and liquidity of LUDWIG BECK AG and the group.

The impact of the COVID-19 pandemic on the business was also thoroughly communicated and discussed, and actions and options to minimise damages were discussed – as the year had already started with a lockdown, followed by changing restrictions imposed by the authorities.

As far as possible, the Supervisory Board also gained on-site impressions of renovations and innovations and was informed about their progress on a regular basis. The Supervisory Board considers these investments as key to securing the location and supports the Executive Board's strategy of constantly optimising the attractiveness of the house despite adverse conditions.

The Supervisory Board and the Executive Board were in constant communication regarding the evaluation of the company's opportunities and risks. The Executive Board informed the Supervisory Board about possible or actual risk scenarios for which solutions were found in joint consultations. In addition, opportunities serving the company's economic objectives were discussed.

There were no objections to the work of the Executive Board. An overview of the Supervisory Board meetings and topics discussed is provided below:

FIVE MEETINGS IN 2021

In the 2021 fiscal year, four meetings were scheduled, one extraordinary meeting was also convened. All acting members of the Supervisory Board and the members of the Executive Board attended the meetings. Due to the pandemic situation, the meetings, except for the meeting on September 14, 2021, were held as video conferences, as partial attendances, or as hybrid events.

The discussions focused on the current business developments, corporate strategy, and measures for its implementation in the company and its subsidiaries.

The second lockdown imposed due to the coronavirus pandemic had a massive impact on the business. An extraordinary meeting was thus held on February 2 by video conference. The general situation and further course of action were discussed.

On March 24, the balance sheet meeting was held pursuant to section 171 (1) Stock Corporation Act (AktG). Due to the COVID-19 pandemic, this also took place as a video conference. The auditor also participated in this virtual meeting. The annual financial statements prepared by the Executive Board and the consolidated financial statements were approved at this meeting. The annual financial statements of LUDWIG BECK AG were thus adopted. In addition, the Executive Board presented the Supervisory Board a medium-term corporate forecast. Furthermore, the proposed resolutions on the items on the agenda of the Annual General Meeting, which took place in virtual form in 2021 again, were approved.

Following the digital Annual General Meeting on May 17, 2021, a meeting of the Supervisory Board was held in digital form, at which questions and topics relating to the ongoing fiscal year were discussed in detail.

At the ordinary Supervisory Board meeting on September 14, 2021, the Supervisory Board dealt with, among other things, the current business development of the 2021 fiscal year. In addition, the declaration of compliance with the German Corporate Governance Code was adopted.

In the last meeting of the year, on December 15, the Supervisory Board discussed, among other things, the business development in the fourth quarter and the Executive Board's planning for the 2022 fiscal year. The planned precautions and measures in the light of further tightening of the coronavirus regulations and the forthcoming 2G rule in the retail sector were discussed. The resulting decline in frequencies and sales was addressed in detail and additional countermeasures were discussed. It was agreed that in 2022 the Annual General Meeting will be held in virtual form again. In addition, it was decided to extend the contract of Mr Jens Schott for three more years.

Potential conflicts of interest are disclosed to the Supervisory Board by members of the Supervisory Board and usually lead to the non-participation of the affected Supervisory Board member in the discussion and vote on the agenda item causing the conflict of interest.

Since the Annual General Meeting on July 28, 2020, the Supervisory Board is composed of the members Dr Bruno Sälzer (Chairman), Sandra Pabst (Deputy Chairwoman), Clarissa Käfer, and Josef Schmid as shareholder representatives and Michael Eckhoff and Michael Neumaier as employee representatives. Dr Moritz Frhr. v. Hutten z. Stolzenberg is a substitute member of the shareholder representatives.

There were no personnel changes in the Executive Board of LUDWIG BECK AG in the 2021 fiscal year.

The Supervisory Board has formed two committees, an Audit Committee and an Executive and Personnel Committee.

AUDIT COMMITTEE

The Audit Committee held two meetings the 2021 fiscal year, a video conference on March 24 and a face-to-face meeting on October 25. Both meetings were attended by all committee members; the meeting on October 25 was also attended by Mr Jens Schott, Executive Board.
Furthermore, the chairwoman of the committee coordinated with the auditors on the audit of the annual financial statements in two additional meetings.
The Audit Committee dealt primarily with the audit of the separate and consolidated financial statements and the management report, the monitoring of the accounting process, and the effectiveness of the internal control and risk management systems.
In the presence of the auditor, the committee discussed the audit results and recommended to the Supervisory Board to approve the annual accounts and the consolidated financial statements for the 2020 fiscal year and to endorse the Executive Board's proposal to the 2021 Annual General Meeting for the appropriation of the balance sheet profit.

The committee prepared the appointment of the auditor for the 2021 fiscal year and addressed the auditor's audit planning and the focal points of the audit. It was informed about so-called non-audit services of the auditor and examined the Executive Board’s dependency report. The committee obtained the declaration of independence from the auditing company.

The committee dealt with the selection of the auditor and recommended to the Supervisory Board to propose BTU Treuhand GmbH, Wirtschaftsprüfungsgesellschaft, Munich, to the Annual General Meeting as the auditor for the 2021 fiscal year.

At the meeting on October 25, 2021, the Audit Committee dealt with the effects of the FISG (Financial Market Integrity Strengthening Act) and with the subject of cyber security. The effectiveness of the risk management system was also discussed.

Since July 28, 2020, the Audit Committee is composed of Clarissa Käfer (Chairwoman), Dr Bruno Sälzer, and Josef Schmid.

MANAGEMENT AND PERSONNEL COMMITTEE

The Management and Personnel Committee met on March 24, 2021, and on November 12, 2021, with the participation of all committee members via video conference. There was also a close exchange beyond this video conference.

The meeting on March 24, 2021, dealt with the remuneration system for the Executive Board. The Supervisory Board agreed to the committee’s recommendation and submitted the adopted remuneration system to the 2021 Annual General Meeting for approval.

In its meeting on November 12, 2021, the Management and Personnel Committee dealt with the extension of the contract of Mr Jens Schott and recommended to the Supervisory Board the extension of Mr Schott's term of office and employment contract. The resolution was passed at the Supervisory Board meeting on December 15, 2021, and was implemented by the chairman of the Management and Personnel Committee. This aims to ensure continuity and a long-term perspective for the group.

Since July 28, 2020, the Management and Personnel Committee is composed of the members Dr Bruno Sälzer (Chairman), Sandra Pabst and Clarissa Käfer.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION ON CORPORATE GOVERNANCE

The Supervisory Board is committed to the standards of good and responsible corporate governance set out in the German Corporate Governance Code. For this reason, the Audit Committee obtained a declaration from the auditor through its chairwoman, stating that there are no business, financial, personal, or other relationships between the auditor and the company that could give rise to doubts about its independence. The auditor submitted this declaration of independence to the chairwoman of the Audit Committee by letter dated March 22, 2021.

It also relates to consultancy services which the auditor provided to the company in the past fiscal year, or which were agreed for the current fiscal year.

The declaration of compliance adopted on September 14, 2021, in accordance with section 161 of the German Joint Stock Corporation Act (AktG) was published on the company's website under the Investor Relations menu item in the Corporate Governance section and is included in the Declaration on Corporate Governance also made available on the company's website. On March 31, 2022, the Supervisory Board, together with the Executive Board, issued the Declaration on Corporate Governance and made it publicly available on the company's website.

CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements and consolidated financial statements as of December 31, 2021, as well as the management report and the group management report, including the accounting records, were audited by BTU Treuhand GmbH, the appointed auditor, who issued an auditor's opinion without restriction.

The members of the Supervisory Board were provided with all financial statement documents and audit reports in good time before the Supervisory Board's financial statements meeting on March 31, 2021, and these were carefully examined by the Supervisory Board. The documents were discussed in detail by the Audit Committee and the entire Supervisory Board in the presence of the auditor. The auditor did not identify any weaknesses in the internal control and risk management system concerning the accounting process. The Supervisory Board was able to satisfy itself that the auditor's report met the legal requirements. At the above-mentioned meeting, the auditor also explained the scope, focus, and costs of the audit and provided information about its impartiality and the services it provided in addition to the audit.

The Supervisory Board approved the results of the auditor's audit at the Supervisory Board meeting. Prior to the meeting, the Supervisory Board had already reviewed the annual financial statements and the consolidated financial statements, the management report, and the group management report. The statements of the management report and the group management report were consistent with the assessments of the Supervisory Board.
According to the final results of its own examination, there were no objections to the annual financial statements, the consolidated financial statements, the management report, and the group management report. The Supervisory Board unanimously approved the annual financial statements of LUDWIG BECK AG prepared by the Executive Board; they are thus adopted. It also approved the group consolidated financial statements.

The Supervisory Board also examined the Executive Board's report on relations with affiliated companies for the past financial year ("Dependent Company Report") in accordance with section 312 Stock Corporation Act (AktG). In this report, the Executive Board made the following concluding statement:
"According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies, or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable consideration in each individual case and did not suffer any disadvantage as a result of measures being taken or not taken."

BTU Treuhand GmbH, as the company's auditor for the 2021 fiscal year audited the Dependency Report and issued the following auditor's opinion March 23, 2022:

" Following our audit and assessment in accordance with professional standards, we confirm that:

1. the facts and circumstances presented in the report are correct,
2. in the reported legal transactions, the company's performance was not disproportionate or disadvantages were balanced,
3. are no circumstances regarding the measures mentioned in the report which would require a significantly different approach than the one taken by the Executive Board."

The Executive Board's Dependency Report and the Auditor's Report were available to the Supervisory Board. In addition, it discussed the Audit report with the auditor. In doing so, it was able to satisfy itself that, in particular, all legal transactions and measures were fully captured. No concerns arose from the auditor's Audit Report. On this basis, the Supervisory Board approved the results of the auditors' examination. Following the conclusions of its own analyses, the Supervisory Board raised no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board expresses its gratitude to the Executive Board, the works council and all employees of LUDWIG BECK AG and its subsidiaries for their extraordinary personal commitment and great willingness to perform under difficult conditions for the second year in a row.

The Supervisory Board would also like to thank our customers who have remained loyal to LUDWIG BECK in 2021 and even under the restrictions, as well as our business partners for their trust.

Munich, March 2022

Dr Bruno Sälzer, Chairman of the Supervisory Board

Share

THE STOCK MARKET YEAR 2021

For long stretches, the 2021 stock market year was a reflection of the vaccination progress. After a cautious start, the DAX picked up strongly until mid-April, after particularly vulnerable people and medical staff had received their COVID-19 vaccinations and later doctors' surgeries were included in the general vaccination campaign. As a result, the number of vaccinations rose sharply until July, helping to lift the DAX to a new high in the second week of July. However, following the flood in mid-July that claimed the lives of 184 people and devastated entire regions, especially in the federal states of Rhineland-Palatinate and North Rhine-Westphalia, profit-taking seemed to dominate the German stock market. These were intensified when the initially comfortable lead of the Union parties in the federal election suddenly began racing neck-and-neck, resulting in the replacement of the Union parties by the SPD as the strongest political force on election night. While the negotiations on the “traffic light coalition” proceeded with great discretion in autumn, the stock markets were increasingly preoccupied with the question of when the leading central banks would start tightening their monetary policies and withdraw the generously provided liquidity from the capital markets. At the beginning of November, the US Federal Reserve finally announced its monetary policy turnaround, followed by the ECB about a month later with the announcement that it would phase out its bond programme by the end of March 2022. The flare-up of interest rate fears was accompanied by the turbulence on the Chinese real estate market concerning the Evergrande Group and news about the new, highly contagious virus variant Omicron. Although the DAX reached a new all-time high of 16,290.19 points in November, it could not repeat the dynamic development of the first half of the year. The DAX finally closed on December 30, 2021, at 15,884.86 points, 2.5 % below the all-time high but 15.8 % above its opening value at the beginning of the year.

LUDWIG BECK SHARE

Share data	
ISIN	DE0005199905
WKN	519990
Ticker symbol	ECK
Industry	Retail
Segment	Prime Standard
Number of shares	3.695.000
Market capitalisation per December 31, 2021	€ 99.0mn
Stock exchange	Frankfurt/M., Stuttgart, Munich, Düsseldorf, Berlin/Bremen, Hamburg, XETRA
Price year-end (12/31/2021)	€ 26.80
Price high (04/30/2021)	€ 33.20
Price low (02/03/2021)	€ 24.20
Designated Sponsor	DZ Bank

LUDWIG BECK shares with positive development

The shares of LUDWIG BECK AG opened the year 2021 at € 24.60 and closed the year at € 26.80. The share price development continued to be dominated by the COVID-19 pandemic and its effects on sales and earnings. On April 30, the LUDWIG BECK AG shares reached the year high price of € 33.20 - the low price was € 24.20 on February 03.

Earnings per share

LUDWIG BECK shares closed the year 2021 with positive earnings per share of € 0.98 (previous year: € -0.47).

Dividend

Against the backdrop of the effects of the COVID-19 pandemic and the resulting considerable economic restrictions and sales losses compared to a normal year of approximately minus 30%, the Executive Board and Supervisory Board will not propose the distribution of a dividend for the 2021 fiscal year at the Annual General Meeting in May 2022. Following the cuts due to the lockdown in the 1st quarter of 2021, this was announced at the virtual Annual General Meeting in May 2021. The net loss for the 2020 financial year was € -1, 3million. This was fully offset by withdrawals from the revenue reserves of LUDWIG BECK AG. The balance sheet profit 2021 of LUDWIG BECK AG thus amounted to € 0.

Shareholder structure

According to the latest disclosures, the shareholder structure of LUDWIG BECK AG is as follows: INTRO-Verwaltungs GmbH holds 25.2% of the shares. BG Heppenheim Grundstücks GmbH is a new shareholder with 24.4% of the shares. Hans Rudolf Wöhrl Verwaltungs GmbH continues to hold 25.7% of the shares. OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG and Rheintex Verwaltungs AG held 5.0% and 3.0% respectively of the shares in LUDWIG BECK AG. As voting rights are only reported when certain thresholds are reached, the free float of the company can only be reported as an estimate. This is therefore 16.7%.

Investor Relations

As a Prime Standard listed company, LUDWIG BECK is committed to the principles of fair disclosure in its information policy. These are timeliness, continuity, and equal treatment. Regular dialogue with investors, analysts, and the press are a matter of course for the company. Interested parties are kept up to date on the company's activities and planning.

LUDWIG BECK's reporting is bilingual and linked to fixed dates, such as the publication of the annual financial statements and the analysts' conference in March, where the management of LUDWIG BECK presents the annual report for the past fiscal year. Furthermore, LUDWIG BECK AG publishes quarterly reports for the first and the third quarters of the year, as well as a group interim report for the second quarter and the first six months, along with corporate news releases.

The publications on the aforementioned events can be viewed online in the Investor Relations section at **http://kaufhaus.ludwigbeck.de.** In addition, this menu item offers comprehensive information on the group's corporate strategy, continuous reports, corporate news, analyst recommendations, and archived annual reports from the year 2000 onwards. Current events and statements by the company are communicated in the shareholder newsletter. In addition, the Investor Relations team of LUDWIG BECK can be contacted directly at any time.

The company's Financial Calendar for the year 2022 can be found on page 73 of this Annual Report and online under the section Investor Relations / Corporate Events / Financial Calendar.

2 Consolidated Financial Statements

& Consolidated Notes

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Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as per December 31, 2021, according to IASB provisions

Assets			**12/31/2021**	**12/31/2020**
		Notes	**€k**	**€k**
A.	**Long-term assets**			
I.	Intangible assets	(1)	4,746	4,541
II.	Property, plant, and equipment	(1)	142,986	150,043
III.	Other assets	(2)	143	143
IV.	Deferred taxes	(10)	3,728	3,765
	Total long-term assets		**151,602**	**158,493**
B.	**Short-term assets**			
I.	Inventories	(3)	10,344	12,045
II.	Receivables and other assets	(4)	5,969	1,997
III.	Cash and cash equivalents	(5)	333	11,222
	Total short-term assets		**16,646**	**25,265**
			168,249	**183,757**

Liabilities			**12/31/2021**	**12/31/2020**
		Notes	**€k**	**€k**
A.	**Shareholders' equity**			
I.	Subscribed capital	(6)	9,446	9,446
II.	Capital reserves	(6)	3,459	3,459
III.	Accumulated profit	(6)	51,016	47,605
IV.	Other equity components	(6)	-946	-915
	Total shareholders' equity		**62,975**	**59,595**
B.	**Long-term liabilities**			
I.	Financial liabilities	(9)	83,499	88,366
II.	Accruals	(8)	3,188	2,851
III.	Deferred taxes	(10)	328	328
	Total long-term liabilities		**87,015**	**92,545**
C.	**Short-term liabilities**			
I.	Financial liabilities	(9)	12,450	26,684
II.	Trade liabilities	(9)	940	831
III	Tax liabilities	(9)	450	858
IV.	Other liabilities	(9)	4,419	3,245
	Total short-term liabilities		**18,258**	**31,618**
	Total debt (B.–C.)		**105,273**	**124,163**
			168,249	**183,757**

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2021 – December 31, 2021, according to IASB provisions

			1/1/2021 – 12/31/2021		1/1/2020 – 12/31/2020	
		Notes	**€k**	**€k**	**€k**	**€k**
1.	Sales revenue	(11)				
	– Gross sales		65,950		60,365	
	– less VAT		10,551		8,876	
	– Net sales			55,399		51,490
2.	Other own work capitalized	(12)		118		47
3.	Other operating income	(13)		11,325		6,842
				66,842		**58,378**
4.	Cost of materials	(14)	30,027		30,974	
5.	Personnel expenses	(15)	13,176		13,523	
6.	Depreciation	(16)	6,352		6,206	
7.	Other operating expenses	(17)	10,646	60,200	9,554	60,256
8.	**EBIT**			**6,642**		**-1,878**
9.	**Financial result**	(18)		**-2,315**		**-2,379**
	– thereof financial expenses: € 2,400k (previous year: € 2,459k)					
10.	**Earnings before taxes on income**			**4,327**		**-4,257**
11.	Taxes on income	(19)		697		-2,521
12.	**Earnings after taxes (EAT)**			**3,630**		**-1,737**
13.	**Expenditures and income entered directly into equity**	(20)				
13a.	Components which cannot be reclassified in the income statement					
	Actuarial profits (+) / losses (-) from pension commitments			-45		-164
13b.	Deferred taxes on expenditures and income entered directly into equity (expenditure (+) / income (-))			-14		-54
	Total expenditures and income entered directly into equity			**-31**		**-110**
14.	**Consolidated comprehensive income**			**3,599**		**-1,847**
Diluted and undiluted earnings per share in €		(21)		0.98		-0.47
Average number of outstanding shares in thousands				3,695		3,695

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2021 – December 31, 2021

	Subscribed Capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components *) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2021	**9,446**	**3,459**	**47,605**	**-915**	**59,595**
Consolidated net income	0	0	3,630	0	3,630
Dividend payments	0	0	-219	0	-219
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-31	-31
As per 12/31/2021	**9,446**	**3,459**	**51,016**	**-946**	**62,975**

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2020 – December 31, 2020

	Subscribed Capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components *) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2020	**9,446**	**3,459**	**49,541**	**-805**	**61,641**
Consolidated net income	0	0	-1,737	0	-1,737
Dividend payments	0	0	-199	0	-199
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-110	-110
As per 12/31/2020	**9,446**	**3,459**	**47,605**	**-915**	**59,595**

*) Other equity components mainly result from actuarial profits and losses that in the future won't be reclassified in the income statement.

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2021 – December 31, 2021, according to IASB provisions

	1/1/2021 – 12/31/2021	1/1/2020 – 12/31/2020
	€k	€k
Earnings before taxes on income	**4,327**	**-4,257**
Adjustments for:		
– Depreciation	6,352	6,206
– Interest income	-85	-80
– Interest expenses	2,400	2,459
– Profits/losses (-/+) from the disposal of fixed assets	-2,266	-3,865
Operating result before changes to net working capital	**10,728**	**463**
Increase/decrease (-/+) in assets:		
Inventories	1,701	286
Trade receivables	-313	292
Other assets	-47	169
Increase/decrease (-/+) in liabilities:		
Trade liabilities	108	-227
Other liabilities	1,174	-1,186
Increase/decrease (-/+) in accruals:		
Accruals	-327	-227
Cash flow from operating activities (before interest and tax payments)	**13,024**	**-431**
Interest paid	-2,368	-2,424
Interest received	1	0
Disbursement to other shareholders	-219	-199
Taxes on income paid	-195	-448
A. Cash flow from operating activities	**10,243**	**-3,502**
Disbursements for investments in intangible assets and fixed assets	-3,031	-2,421
Proceeds from disposals of fixed assets	2,000	10,051
Proceeds from the disposal of plan assets	0	104
B. Cash flow from investing activities	**-1,031**	**7,734**
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance comp.	-2,779	9,165
Acceptance/repayment (+/-) of short-term bank loans and loans from insurance comp.	-13,981	-116
Acceptance/repayment (+/-) of other loans	-276	-28
Repayment of finance leases	-3,065	-2,671
C. Cash flow from financing activities	**-20,101**	**6,350**
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	-10,889	10,583
Cash and cash equivalents at the beginning of the fiscal year	11,222	639
Cash and cash equivalents at the end of the fiscal year	**333**	**11,222**

Consolidated Notes

Consolidated notes to the IFRS-compliant consolidated financial statements for the fiscal year 2021 of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich

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A. GENERAL DATA

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (hereinafter also referred to as LUDWIG BECK AG), the parent company of the LUDWIG BECK Group, was founded on August 13, 1992, by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich. The registered seat of LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

LUDWIG BECK AG is listed in the commercial register of the Local Court of Munich, Germany, under registration number HR B No. 100213.

The object of the LUDWIG BECK Group is the sale of all kinds of goods, especially the wholesale and retail of textiles, clothing, hardware, and other merchandise, also by mail order or online, as well as the acquisition, holding, and management of investments in unincorporated and incorporated companies, especially companies that own real estate or which themselves hold interests in such companies.

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2021, have been prepared per International Financial Reporting Standards (concisely: IFRS) / International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC) / Standing Interpretations Committee (concisely: SIC). All of the aforementioned standards and interpretations which were mandatorily applicable to the fiscal year 2021 were complied with. In line with Section 315e German Commercial Code (HGB), certain information, including the consolidated management report, was added to the consolidated financial statements.

The consolidated balance sheet of LUDWIG BECK AG was drawn up as per the balance sheet dates December 31, 2021, and December 31, 2020. The relevant consolidated statement of comprehensive income, the consolidated equity statement, the consolidated cash flow statement, and the notes to the consolidated financial statements cover the periods from January 1, 2021, to December 31, 2021, and from January 1, 2020, to December 31, 2020. The balance sheet dates of the consolidated companies are identical.

The amounts contained in the consolidated financial statements are given in €k (thousand Euro). The consolidated financial statements have been set up on the basis of precise (unrounded) figures, which were then rounded to €k. This may lead to summation-related rounding differences.

The present consolidated financial statements complying with the relevant IFRS/IAS standards in all respects give an accurate picture of the actual assets, financial, and earnings situation of LUDWIG BECK AG.

The layout of items in the consolidated balance sheet, the consolidated statement of comprehensive income (total cost method), the consolidated equity statement, and the consolidated cash flow statement is in accordance with IAS 1.

The preparation of the consolidated financial statements requires estimations and assumptions, which may affect the amounts stated for assets, liabilities, and financial commitments as at the balance sheet date, as well as income and expenses of the fiscal year. Actual future amounts may differ from these estimations. The most important future-oriented assumptions and other major sources of uncertainty regarding estimations as at the relevant date, involving the considerable risk that significant adjustments of the book values of assets and debts will be required in the following fiscal year, are disclosed in the relevant explanations. The LUDWIG BECK Group made estimations and assumptions in particular with regard to the valuation of intangible assets, tangible fixed assets (cf. sub-clauses 4 and 5), inventories (cf. sub-clause 6), accruals (cf. sub-clause 9), and deferred taxes (cf. sub-clause 10).

The consolidated financial statements will be submitted to the Supervisory Board for approval at the meeting on March 31, 2022. The Executive Board will afterward release the consolidated financial statements for publication. The Annual General Meeting cannot change the consolidated financial statements approved by the Supervisory Board.

B. ACCOUNTING AND CONSOLIDATION PRINCIPLES

I. Consolidated Group

In addition to the parent company, LUDWIG BECK AG, the following subsidiaries, all domiciled in Germany, are included in the consolidated financial statements as of December 31, 2021:

Name	Shareholding ratio (also voting rights ratio)
LUDWIG BECK Beteiligungs GmbH	100.0%
LUDWIG BECK Verwaltungs GmbH	86.0%
Feldmeier GmbH & Co. Betriebs KG	85.9%
Feldmeier GmbH	100.0%
LUDWIG BECK Real Estate Hanover GmbH	100.0%

The aforementioned companies are each fully consolidated due to existing control through the majority of voting rights.

LUDWIG BECK Grundbesitz Haar GmbH was merged with LUDWIG BECK Beteiligungs GmbH in fiscal year 2021, after the property in Haar had been sold as of December 31, 2020. LUDWIG BECK Grundbesitz Hannover GmbH held two properties that were rented externally in fiscal year 2021. Both properties were sold as of December 31, 2021, so there are no longer any risks from market developments or changes in cash flows from rents. LUDWIG BECK Grundbesitz Hannover GmbH is to be merged with LUDWIG BECK Beteiligungs GmbH in the fiscal year 2022.

II. Consolidation methods

1. Capital consolidation

The capital of the fully consolidated companies is consolidated using the purchase method. The acquisition costs of the investment are offset against the proportionate shareholder's equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden reserves and liabilities were allocated to the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken for the purpose of consolidation.

The capital of Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition. Simultaneously, for all other first-tier and second-tier subsidiaries, capital consolidation was undertaken at the time of the foundation or acquisition of the companies.

Within the scope of subsequent consolidation, uncovered hidden reserves and liabilities are treated similarly to the corresponding assets and liabilities.

The equity components of other shareholders (limited partners) of Feldmeier GmbH & Co. Betriebs KG are reported in compliance with IAS 32 and IAS 1.

No differences arose from the capital consolidations.

2. Consolidation of receivables and liabilities

Receivables and liabilities between consolidated companies were eliminated during the consolidation of receivables and liabilities.

3. Consolidation of expenses and income

Intra-group sales, other operating income, cost of materials, and other operating expenses were offset against each other. Interest income and interest expenses within the group were also offset against each other.

4. Elimination of intercompany profits

No elimination of intercompany profits resulted from inter-company sales and services.

III. Principles of foreign currency translation

No foreign currency translations were required during the consolidation of the subsidiaries, as all subsidiaries are German.

The reporting currency is thousand Euro (€k).

IV. Accounting principles and valuation methods

1. General

The consolidated balance sheet and consolidated statement of comprehensive income of the companies included in the consolidated financial statements were prepared in accordance with the accounting and valuation methods of the parent company as described below.

2. Initial application of IFRS/IAS

In recent years, the IASB has made various amendments to existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The interpretations and standards that had to be applied by companies for the first time in the fiscal year beginning on January 1, 2021, had no effect on the consolidated financial statements of LUDWIG BECK.

The following standards or their amendments are not pertinent for LUDWIG BECK, so their first-time application has no effect on the consolidated financial statements as of December 31, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (phase 2)

The following amendments to IFRS 16, which were mandatory for LUDWIG BECK for the first time in the 2021 fiscal year, have been voluntarily applied in advance in the previous year's consolidated financial statements as of December 31, 2020:

- Amendments to IFRS 16 regarding COVID-19 related lease concessions and their recognition in lease accounting: The amendment allows lessees under certain conditions to waive the review of a contract modification within the meaning of IFRS 16, as well as the recognition in the balance sheet. These conditions are:

  (1) The concessions must have been agreed upon as a direct consequence of the COVID-19 pandemic.

  (2) The change in lease payments results in revised consideration for the lease that is the same as or less than the consideration for the lease immediately preceding the change.

  (3) The waiver of any treatment of the lease concession as a contract modification is limited in time to such payments that would have been due under the original lease agreement on or before June 30, 2021.

  (4) The rental concessions may not be associated with further material changes to the terms of the contract.

  These conditions were met at LUDWIG BECK, and the amended provision was applied to all rent concessions. Confidentiality was agreed with the lessors on the details of rent reductions.

The initial application of the following new standards and amendments is not expected to have a significant impact on the consolidated financial statements of LUDWIG BECK:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond June 30, 2021
- Annual improvements project, 2018-2020 cycle: Amendments to
  - IFRS 1: Subsidiary as a first-time adopter
  - IFRS 9: Fees in the 10 percent test for derecognition of financial liabilities
  - IFRS 16: Lease incentives (amendment to illustrative example 13)
  - IAS 41: Agriculture - taxation in fair value measurement
- IFRS 17: Insurance contracts
- Amendments to IAS 1: Classification of liabilities as Current or Non-current (EU adoption not yet completed)
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (EU adoption not yet effected)
- Amendments to IAS 1 and IFRS Guidance Document 2: Disclosure of Accounting Policies (EU adoption not yet completed)
- Amendments to IAS 8: Definition of Accounting Estimates (EU adoption not yet completed)
- Amendments to IAS 12: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (EU adoption not yet completed)
- Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (EU adoption not yet completed)

3. Currency translation applied by consolidated companies

No hedging transactions for foreign currencies were concluded.

Receivables and payables in foreign currencies are always reported at the exchange rate valid on the day of the transaction pursuant to IAS 21.

Receivables and payables in foreign currencies are valued at the relevant exchange rate on the consolidated balance sheet date.

4. Intangible assets

With the exception of the "LUDWIG BECK" brand, intangible assets acquired on a payment basis are capitalized at acquisition cost and amortized in scheduled amounts over their expected useful lives using the straight-line method (pro-rata temporis) in accordance with IAS 38.

Software, industrial property rights and similar rights
These are licences and purchased or modified user software that are amortised over an expected useful life of three years or up to 10 years in the case of essential software programs.

Brand name “LUDWIG BECK"
The brand name "LUDWIG BECK" (€ 2,039k) is shown under the item "Intangible assets", as it is an identified brand name according to IAS 38. In line with the application of this standard, scheduled amortization ended January 1, 2004, as this right is not consumed over time (unlimited useful life). As to the impairment test performed, please refer to section C.I. (1). Consequently, no impairment of the brand name, as of December 31, 2021, was required.

5. Property, plant, and equipment

Property, plant, and equipment are carried at acquisition or production costs, including ancillary expenses, if any, according to IAS 16.

The essential item is the real estate of Feldmeier GmbH & Co. Betriebs KG at Marienplatz in Munich, reported at its assessed fair value in 2001 following acquisition through merger by LUDWIG BECK Beteiligungs GmbH. The fair value of the land at initial consolidation in 2001 was determined based on the acquisition costs as well as the development of guideline land prices between 1998 and 2000. The amount stated in 2001 remained unaltered until December 31, 2021. The building is depreciated according to schedule.

Property, plant, and equipment with a limited useful life are depreciated on a straight-line basis (pro rata temporis) over the normal useful life (limited by any shorter duration of the rental/leasing agreements). Depending on the relevant assets, the following useful lives are applied:

Buildings	25 - 40 years
Buildings - rented under operating lease	40 years
Buildings on third party land	10 - 20 years
Other equipment, operating and office equipment	3 - 10 years

Movable fixed assets up to a value of € 150.00 are fully reported with an effect on expenses outside of fixed assets in the year of acquisition. Movable fixed assets with a value of more than € 150.00 and less than € 1,000.00 are pooled for materiality reasons in the year of acquisition and depreciated over a useful life span of five years using the straight-line method.

Payments on account for assets under construction are capitalized with the amounts paid.

Maintenance costs are expensed in the respective period.

LUDWIG BECK as lessee
LUDWIG BECK has entered rental and leasing contracts to be classified as operating leases according to IAS 17 and were therefore not recognised in the consolidated balance sheet. With the mandatory implementation of IFRS 16, the distinction between finance and operating leases has been eliminated, and rental agreements must be included uniformly in the consolidated balance sheet. The right of use from the rental agreements is capitalised in the consolidated balance sheet, and the payment obligation relating to future rental payments is recognised as a financial liability. The initial accounting for rights of use and payment obligations is carried out in the amount of the present value of future rental payments. The capitalized rights of use are amortized on a straight-line basis over the term of the respective rental agreement, as the term is generally shorter than the useful life of the underlying assets. In the consolidated income statement, depreciation and finance costs are presented instead of rental expenses.

LUDWIG BECK as lessor
Leases in which LUDWIG BECK is the lessor are classified as finance leases according to IFRS 16 if they transfer substantially all the risks and rewards incidental to ownership to the lessee; otherwise, leases are classified as operating leases.

LUDWIG BECK Grundbesitz Hannover GmbH leased two properties in Hanover to WORMLAND until December 31, 2021. Since the deconsolidation of WORMLAND, these leases are to be presented in the consolidated financial statements of LUDWIG BECK as leases with external third parties, classified as operating leases pursuant to IFRS 16.

Rental income from operating leases is recognised on a straight-line basis over the term of the respective lease. Initial direct costs from the negotiation and conclusion of lease agreements are added to the book value of the leasing object and depreciated on a straight-line basis over the leasing period; no such costs were incurred in the 2021 fiscal year, as the rental agreements have been in place since 2015.

Generally, the rented properties classify as financial investments in accordance with IAS 40. The annual rental income amounts to € 255k (previous year: € 321k). They are of absolutely minor importance in proportion to LUDWIG BECK's total sales revenue and, therefore, are of no relevance for the assessment of LUDWIG BECK's earnings and financial situation and the Group's control. Likewise, the book values of the properties (as per December 31, 2021: € 0k; previous year: € 4,193k) in relation to total assets and non-current assets are not material for the assessment of LUDWIG BECK's financial position. Therefore, LUDWIG BECK does not apply IAS 40 to the properties in Hanover.

LUDWIG BECK sold these properties as of December 31, 2021.

There are only insignificant subleases. The contracts do not contain any non-leasing components.

6. Inventories

Raw materials, supplies, and merchandise are generally valued at acquisition cost in accordance with IAS 2. The FIFO principle was applied to the consumption of inventory where necessary.

Appropriate deductions to the lower net realisable value were made for old stock and goods of reduced saleability (marketability). For this purpose, a distinction is made between standard, fashionable, and high-fashion goods, and different discounts are applied, depending on the age of the goods. In addition, lump sum reductions were made for cash discounts. Due to restrained consumer sentiment and declining frequencies in connection with the COVID-19 pandemic, write-downs to the lower net realisable value were also made on the autumn/winter 21/22 merchandise. The cost of external capital was not capitalised.

7. Receivables and other assets

Trade receivables are carried at amortized costs that usually equal nominal values before valuation allowances. Adequate valuation allowances are made for doubtful receivables and receivables with recognizable risks; bad debts are written off.

Other assets are recognised at amortised cost. There are no recognizable risks that would necessitate a valuation allowance.

The deferred item is a component of other assets and only concerns prepaid operating expenses.

The book values of trade receivables and other assets correspond to their fair values.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and short-term bank balances. The amounts are given at nominal values. Fair value equals book value. There are no default risks.

9. Accruals

According to IAS 37, accruals are recognized when an entity has a current legal or constructive obligation, resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

The amount posted to accrual represents the best estimate of the expenditure required to settle the current obligation at the reporting date.

Long-term non-interest-bearing accruals were discounted to their present value.

Pension commitments

Pension commitments were accounted for in accordance with IAS 19R "Employee Benefits".

The actuarial valuation of pension commitments is based on the projected unit credit method prescribed in IAS 19R for pension benefit commitments. This method takes into account, not only the pension benefits and accrued future pension benefits known at the balance sheet date, but also expected future increases in salaries and pensions. Actuarial gains and losses are recognised directly in equity.

10. Liabilities

Financial liabilities
According to IFRS 13, financial liabilities are carried at fair value. Fair values are determined taking into account changes in the market interest rate level for financial liabilities with comparable conditions (term, repayment conditions, collaterals).

Trade payables and other liabilities
Trade payables and other liabilities are generally carried at amortised cost that essentially corresponds to the fair values. They are usually due within one year and comprise a variety of individual items.

Derivative financial instruments
The LUDWIG BECK Group does not utilize any derivative financial instruments.

11. Deferred taxes

Deferred taxes are calculated according to the balance sheet liability method (IAS 12). This generally requires deferred taxation items to be stated for all temporary accounting and valuation differences between valuations, according to IFRS and tax-relevant valuations. Deferred tax assets are only recognised to the extent that realisation is probable.

The calculation of deferred taxes (corporate tax, solidarity surcharge, trade tax) was based on the corporate tax rate of 32.975% as applicable to LUDWIG BECK AG. The trade tax rate calculated based on the municipal trade tax factor of 490% for Munich was 17.15%. Deferred tax assets were recognised in full in the balance sheet for the tax losses incurred solely as a result of the COVID-19 pandemic in the 2020 and 2021 fiscal years, as the company assumes sufficient taxable income will be available in the future to utilise the tax loss carried forward. When preparing the corporate tax statement for the 2020 fiscal year, a corporate tax loss carry-back to 2019 was utilised in the maximum possible amount.

For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, the tax rate of 15.825% (corporate tax and solidarity surcharge) was applied to the shares attributable to LUDWIG BECK Beteiligungs GmbH and Feldmeier GmbH. Due to trade tax reduction regulations pertaining to Feldmeier GmbH & Co. Betriebs KG, trade tax was not taken into account for these temporary differences.

Deferred tax assets and liabilities were offset in accordance with IAS 12.74.

12. Maturities

Asset and liability items with a residual term of up to one year were recognized as “short-term”. Asset and liability items with a residual term of more than one year were recognized as “long-term”.

13. Revenue recognition

Sales revenue is recognized at the conclusion of sales contracts. Sales revenues are reported less sales deductions and refund credits with open deduction of value added tax.

For loyalty points acquired by customers within the framework of our loyalty programme with the LUDWIG BECK Card, part of the turnover is not realised upon purchase but upon redemption of credit. Until the redemption, a contract liability in the amount of the equivalent value is recognised. The contract liability is valued at the sales value of the credit balances based on a portfolio approach. As no reliable empirical values are available on the redemption behaviour of loyalty card holders yet, a 100% redemption of the balances was assumed as of December 31, 2021. If balances have expired as of the balance sheet date without being redeemed, the proceeds are realised, and the liability is eliminated.

14. Financial instruments

Financial assets and liabilities included in the consolidated balance sheet comprise cash and cash equivalents, trade receivables and trade payables, other receivables, other payables, and liabilities to banks. The accounting principles regarding carrying amounts and valuation of these items are described in the respective explanations to these consolidated notes.

Financial instruments are classified as assets or liabilities in accordance with the economic content of the contractual terms. Therefore, interest, gains, and losses from these financial instruments are presented as expenses or income.

Financial instruments are offset if the Group has a legally enforceable right to offset and intends to settle either only the balance or both the receivables and the liabilities at the same time.

Financial assets and liabilities are recognised as soon as a contractual payment claim or a contractual payment obligation arises. They are derecognised when payment is made, total loss of the payment claim has occurred, or LUDWIG BECK is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of the other shareholder in Feldmeier GmbH & Co. Betriebs KG are classified as borrowed capital.

Management of financial risks

The LUDWIG BECK Group uses a centralized approach to financial risk management for the identification, assessment, and control of risks. No significant risks could be identified as of the balance sheet date. Areas of risk from financial assets and liabilities can be subdivided into liquidity, credit, and interest risks.

Liquidity risk

The term generally describes the risk that the LUDWIG BECK Group would not be in a position to meet its obligations, resulting from financial liabilities.

Management is constantly monitoring and planning required liquidity needs based on up-to-date cash flow ratios and plans. To ensure sufficient liquid funds, the company relies on credit lines and loans. As of the balance sheet date, short-term credit facilities in the amount of € 43,000,000 were available until further notice, of which approximately 24% (including bank guarantees taken out) had been utilised as per the relevant date.

According to the cash flow forecasts for future and available credit lines, no liquidity bottlenecks can be identified. Risks can essentially only arise in the event of a deterioration in creditworthiness or if the cash flows forecast from the business plan are significantly undercut. The maturity structure of the liabilities is shown under the respective balance sheet items.

Bad debt risk

The risk of bad debt concerns the default risk involved in financial assets. LUDWIG BECK basically generates primary sales against cash or credit card or EC card receivables. Therefore, LUDWIG BECK is exposed to the risk of bad debt to a very limited extent. Compared to stationary trade, online trade still plays a subordinate role. The credit card providers mainly bear the risks involved in credit card payments. The monitoring of receivables from EC card sales is outsourced to an external service provider. Risks arising from the physical movement of cash are minimized through implemented monitoring mechanisms.

Derivative financial instruments

There were no derivative financial instruments on the balance sheet date.

Interest rate risk

The LUDWIG BECK Group uses overdraft facilities with variable interest rates. The Group is subject to an interest rate risk from financial liabilities from these positions that can be considered minor under the current market situation.

15. Changes in accounting and valuation methods

Accounting and valuation principles remained unchanged compared to the previous year.

C. EXPLANATIONS TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

I. Consolidated Balance Sheet

(1) Intangible assets and property, plant, and equipment

This term comprises the following items shown in the consolidated balance sheet:

- Intangible assets
- Property, plant, and equipment

The development of acquisition costs, cumulative depreciation and amortisation, and book values of intangible and tangible fixed assets are presented in the following schedule of assets.

Intangible assets
Intangible assets only comprise assets acquired on a payment basis.

The useful life of software is between 3 and 10 years. Software is depreciated pro-rata temporis using the straight-line method. The used enterprise resource planning system is depreciated over a useful life span of 8 years.

The intangible asset originating from the purchase of the brand name "LUDWIG BECK" in 1995 was amortised on a straight-line basis (pro rata temporis) at an annual rate of € 170k until December 31, 2003. By virtue of the applied IAS 36 and IAS 38 standards, the yearly scheduled amortization of this intangible asset ended January 1, 2004.

The brand name “LUDWIG BECK” only concerns the cash-generating unit “Marienplatz Flagship Store”. Impairment tests are carried out annually. The recoverable amount is the value in use, as there is no active market for the brand name. The value in use was derived from the planned cash flows of the flagship store (before financing activities and income taxes) that were discounted at an after-tax interest rate of 2.2%. The interest rate was determined from the weighted average cost of capital. Cash flows were deduced from previous years and were extrapolated for a period of 5 years within the company’s planning. An increase in sales of 1.5% as well as a gross profit margin of approximately 49% and cost indexation of 1.5% were assumed.

No impairment was required as a result of the impairment test. LUDWIG BECK considers the discount rate and the assumptions regarding the increase in sales/costs to be the key assumptions for the impairment test. Alternative scenarios were calculated with a deviation of the discount rate of ±1% and a change in sales/cost increases of ±1%. All scenarios showed no impairments had to be taken into account.

In the fiscal year 2021, no advance payments were made for intangible assets (previous year: € 49k).

Development of consolidated fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, from January 1, 2021, to December 31, 2021

	As of 1/1/2021 *1/1/2020*	Addition	Dis-posal	Reclas-sifica-tion	As of 12/31/2021 *12/31/2020*	Cumula-tive Depre-ciation	Book value 12/31/2021 *12/31/2020*	Book value 12/31/2020 *12/31/2019*	Depre cia-tion 2021 *2020*
	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets									
1. Software, industrial and similar rights	**4,349**	**811**	**65**	**49**	**5,144**	**2,437**	**2,707**	**2,453**	**574**
Previous year	*3,153*	*558*	*280*	*917*	*4,349*	*1,896*	*2,453*	*1,490*	*512*
2. Brand name	**3,399**	**0**	**0**	**0**	**3,399**	**1,359**	**2,039**	**2,039**	**0**
Previous year	*3,399*	*0*	*0*	*0*	*3,399*	*1,359*	*2,039*	*2,039*	*0*
3. Advance payments	**49**	**0**	**0**	**-49**	**0**	**0**	**0**	**49**	**0**
Previous year	*917*	*49*	*0*	*-917*	*49*	*0*	*49*	*917*	*0*
	7,796	**811**	**65**	**0**	**8,542**	**3,797**	**4,746**	**4,541**	**574**
Previous year	*7,469*	*607*	*280*	*0*	*7,796*	*3,255*	*4,541*	*4,446*	*512*
II. Property, plant, and equipment									
1. Land, land rights, and buildings including buildings on third party land	**175,405**	**1,405**	**4,803**	**232**	**172,238**	**32,703**	**139,535**	**146,770**	**4,722**
Previous year	*183,905*	*3,161*	*11,675*	*14*	*175,405*	*28,635*	*146,769*	*153,853*	*4,665*
2. Other fixtures and fittings, tools, and equipment	**12,247**	**1,240**	**1,055**	**208**	**12,640**	**9,450**	**3,190**	**2,821**	**1,056**
Previous year	*12,282*	*666*	*940*	*238*	*12,247*	*9,426*	*2,821*	*3,031*	*1,028*
3. Advance payments and assets under construction	**453**	**247**	**0**	**-440**	**260**	**0**	**260**	**453**	**0**
Previous year	*252*	*453*	*0*	*-252*	*453*	*0*	*453*	*252*	*0*
	188,104	**2,892**	**5,858**	**0**	**185,138**	**42,153**	**142,986**	**150,043**	**5,778**
Previous year	*196,439*	*4,280*	*12,615*	*0*	*188,104*	*38,061*	*150,043*	*157,136*	*5,694*
	195,901	**3,703**	**5,923**	**0**	**193,681**	**45,949**	**147,731**	**154,584**	**6,352**
Previous year	*203,908*	*4,887*	*12,895*	*0*	*195,901*	*41,316*	*154,584*	*161,583*	*6,206*

Property, plant, and equipment

Rights of use from leasing agreements

As of December 31, 2021, rights of use under leasing agreements are as follows:

		Residual term		
	Sum total	up to 1 year	1 - 5 years	over 5 years
	€k	€k	€k	€k
1. Land, land rights, and buildings on third party land	60,547	3,470	13,230	43,847

In the 2021 fiscal year, no rights of use were added as a result of rent adjustments (previous year: € 2,468k).

Land, land rights, and buildings, including buildings on third party land

Buildings are depreciated over their expected useful life of 25-40 years, using the straight-line method (pro rata temporis). Fixtures and fittings are depreciated uniformly across the Group over the normal useful life of 10-20 years or over shorter lease terms using the straight-line method (pro rata temporis).

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. As of the date of acquisition within the scope of initial consolidation, the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k. (December 31, 2021: € 1,136k). For the valuation of land at the initial consolidation of Feldmeier GmbH & Co. Betriebs KG, hidden reserves amounting to € 66,661k were uncovered. For the fair value measurement of land at initial consolidation in 2001, acquisition costs and development of guideline land prices between 1998 and 2000 were considered. The carrying value determined in 2001 was maintained until December 31, 2021, without changes.

The property at Marienplatz is encumbered with land charges in the amount of € 20,000k (previous year: € 29,575k) for interest-bearing liabilities recognised in the balance sheet.

Other real estate

The logistics property in Haar near Munich was sold with benefits and burdens as of December 31, 2020, and leased back via sale and lease back. Rental rights for future years were reported accordingly under rights of use from leasing agreements.

In addition, the LUDWIG BECK Group owned two properties in Hanover that were rented to WORMLAND within an operating lease agreement. Both properties were sold with benefits and encumbrances as of December 31, 2021.

The development of these properties, reported under item II.1. "Land, land rights and buildings, including buildings on third-party land", is as follows:

	As of 1/1/2021 *1/1/2020*	Addition	Dis-posal	Reclas-sifica-tion	As of 12/31/2021 *12/31/2020*	Cumula-tive Depre-ciation	Book value 12/31/2021 *12/31/2020*	Book value 12/31/2020 *12/31/2019*	Depre cia-tion 2021 *2020*
	€k	€k	€k	€k	€k	€k	€k	€k	€k
Properties rented out under operating leases	**4,524**	**0**	**4,524**	**0**	**0**	**0**	**0**	**4,193**	**59**
Previous year	*4,524*	*0*	*0*	*0*	*4,524*	*331*	*4,193*	*4,252*	*59*

There were no restrictions on disposal or encumbrances in respect of these properties.

Other fixtures and fittings, tools, and equipment
The assets under this item are basically depreciated (pro-rata temporis) over a useful life of 3 to 10 years using the straight-line method.

Advance payments and assets under construction amounted to € 260k (previous year: € 453k) as of December 31, 2021.

(2) Other assets (long-term)

Other long-term assets concern long-term deferred items.

(3) Inventories

Inventories consist of the following items:

	12/31/2021	12/31/2020
	€k	€k
Raw materials and supplies (at cost)	150	175
Merchandise (at cost)	12,023	15,098
Less write-downs of merchandise	-1,829	-3,228
	10,344	**12,045**

The usual retention of title until complete payment for the merchandise applies to all disclosed inventories. It can be expected that most inventory items will be sold within the next 12 months.

Until the date of inventory taking, discrepancies were taken into account for stock determination. Between the date of inventory taking and December 31, 2021, goods on hand per department were reduced by a deduction for wastage based on the average of the last three years. This deduction led to a valuation allowance of € 231k (previous year: € 196k). All merchandise was carried at cost less value allowances. Appropriate deductions on the lower realisable net value were made for stocks of reduced saleability (marketability). Due to the continuing restrained consumer sentiment and declining frequencies in connection with the development of the COVID-19 pandemic, additional write-downs to the lower net realisable value in the amount of € 700k (previous year: € 1,900k) were made. Lump sum reductions for cash discounts were also recognized. In the fiscal year, write-downs amounted to € 1,829k (previous year: € 3,228k). Additions to and reversal of the write-downs are netted (IAS 2.36 e, f).

In the reporting period, merchandise in the amount of € 31,426k (previous year: € 28,842k) was carried as expense (cost of goods sold before adjustment of valuation allowance on net realisable value).

(4) Receivables and other assets (short-term)

Receivables and other assets are as follows:

	12/31/2021	12/31/2020
	€k	€k
Trade receivables	627	313
Other assets	5,172	1,515
Deferred item	171	170
	5,969	**1,997**

The disclosed carrying amounts correspond to market values. All maturities are within one year. There are no identifiable risks of default as of the relevant date.

Trade receivables (short-term)
Trade receivables are as follows:

	12/31/2021	12/31/2020
	€k	€k
Total receivables	631	325
Less allowances	-4	-12
Receivables	**627**	**313**

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)
Other short-term assets are as follows:

	12/31/2021	12/31/2020
	€k	€k
Debit-side creditors	94	251
Receivables due from tax authorities	0	897
Receivables due from suppliers	68	94
Sale of real estate Hanover	4,450	0
Claim from bridging aid III	476	0
Other	84	273
	5,172	**1,515**

A purchase price claim in the amount of € 4,450k for the disposal of a property in Hanover was reported under other assets. The property was sold with benefits and encumbrances as of December 31, 2021. The purchase price is to be settled in the first quarter of 2022. The claim from bridging assistance III corresponds to the final claim that has been prepared internally based on the current state of knowledge. The actual final claim may result in a different amount. There is no historical information on the procedure of the granting agencies and the FAQ yet.

Deferred item
The deferred item concerns various expenses representing costs incurred for a specific period after the consolidated balance sheet date.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

Cash and cash equivalents are as follows:

	12/31/2021	12/31/2020
	€k	€k
Cash in hand	240	117
Bank balances	93	11,105
	333	**11,222**

Bank balances were not interest bearing as of the reporting date. Previous year's bank balances include proceeds from the sale of the property in Haar. Cash in hand is not interest bearing. There are no hedging activities.

(6) Shareholders' equity

With regard to the presentation of changes in shareholders' equity the fiscal year 2021, we refer to the equity statement.

The company's equity management objectives focus mainly on:

- Safeguarding financing and liquidity on an ongoing basis,
- Ensuring an appropriate credit rating, and
- Procuring adequate return on equity.

The principal objective of capital management is the control of liquid funds and debt capital, whereby the focus is on ensuring sufficient liquidity at all times to finance planned investments and ongoing business operations.

The group monitors equity by means of various equity key figures, such as equity ratio and the return on equity. To determine the equity ratio, the economic equity is set in relation to the balance sheet total. Economic equity of the LUDWIG BECK Group corresponds to balance sheet equity. Neither LUDWIG BECK AG nor any of its consolidated subsidiaries are subject to external minimum capital requirements.

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as of December 31, 2021 (December 31, 2020: 3,695,000). The no-par-value shares are bearer shares with a notional share in the equity capital of € 2.56. Share capital was fully paid up. In the 2021 fiscal year, an average of 3,695,000 shares were outstanding. All ordinary shares are entitled to profit distribution to be resolved by the General Meeting. In the fiscal year 2021, no dividend payment was made due to the negative result of the parent company LUDWIG BECK AG in the fiscal year 2020.

The subscribed capital amounted to € 9,446k in the fiscal year (previous year: € 9,446k).

Shareholder structure

According to the company's knowledge, the shareholder structure of LUDWIG BECK AG as of December 31, 2021, is as follows:

	%
Christian Rudolf Greiner Verwaltungs GmbH, Reichenschwand	25.7%
INTRO-Verwaltungs GmbH, Reichenschwand	25.2%
BG Heppenheim Grundstücks GmbH, Grasbrunn	24.0%
OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG, Cologne	5.0%
Rheintex Verwaltungs AG, Cologne	3.0%
Retail investors (investors under 3%)	17.1%

Notifications pursuant to Section 33 Par. 1 German Securities Trading Law (WpHG)

Indirect and direct shareholding

OST-WEST Beteiligungs- und Grundstücksverwaltungs AG, Cologne reported on June 18, 2009, that it exceeded the 5% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 5.007% at that date. This corresponds to 185,000 votes, 4.87% (180,000 votes) of which are attributable to subsidiaries.

Direct shareholding

Rheintex Verwaltungs AG, Cologne reported on June 22, 2009, that it exceeded the 3% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 3.019% at that date. This corresponds to 111,550 votes.

Direct participation

Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 votes.

Direct participation

Mr. Alfons Doblinger reported to hold a total of 900,755 shares in LUDWIG BECK AG on December 2, 2020. At the time of notification, he thus held approximately 24.38% of the voting rights. This includes voting rights from 24.00% of the shares in LUDWIG BECK AG held directly by BG Heppenheim Grundstücks GmbH, Grasbrunn that are to be attributed to Mr. Doblinger pursuant to Section 34 WpHG.

Direct participation

Mr. Christian Greiner reported to hold a total of 965,399 shares in LUDWIG BECK AG on August 16, 2021. At the time of notification, he thus held approximately 26.13% of the voting rights. This includes voting rights from 25.69% of the shares in LUDWIG BECK AG held directly by Hans Rudolf Wöhrl Verwaltungs GmbH (new: Christian Rudolf Greiner Verwaltungs GmbH) that are to be attributed to Mr. Greiner pursuant to Section 34 WpHG.

Direct participation

Mr. Hans Rudolf Wöhrl reported to hold a total of 930,805 shares in LUDWIG BECK AG on August 16, 2021. At the time of notification, he thus held approximately 25.19% of the voting rights. This includes voting rights from 25.19% of the shares in LUDWIG BECK AG held directly by INTRO-Verwaltungs GmbH that and are to be attributed to Mr. Wöhrl pursuant to Section 34 WpHG.

Capital reserve

The development of capital reserve is shown in the equity statement. The capital reserve serves to secure the long-term financing of the company.

Accumulated profit

The development of accumulated profit is shown in the equity statement. Accumulated profit serves to secure the short-term and long-term financing of the company.

In accordance with IAS 32.18 (b), compensation claims from limited partners' interests of other shareholders are generally classified as debt capital (cf. explanations in clause (7) below).

(7) Compensation claim for other shareholders

The compensation claim for other shareholders of Feldmeier GmbH & Co. Betriebs KG is subject to the provisions set forth in the company agreement. The amount of the compensation claim is calculated based on market value of the relevant shares. In contrast, the carrying amount of the market value of the Marienplatz property was determined in the company agreement. Furthermore, the agreement provides that the company shall be entitled to set off payment claims against a withdrawing shareholder against this shareholder's compensation balance, if any, at any time. In the fiscal year, the calculation was as follows:

	12/31/2021	**12/31/2020**
	€k	**€k**
Assumed market value of Feldmeier GmbH & Co. Betriebs KG for the purpose of computing a potential compensation claim according to the company agreement	87,074	87,072
Other shareholders' interest (14.06%)	12,243	12,242
Receivables from other shareholders	-15,651	-15,659
	-3,408	**-3,417**

Since the claim against the other shareholder exceeds his share in the market value of the company, no compensation obligation had to be entered into the balance sheet.

According to the provisions outlined in the company agreement, the other shareholder is generally not obligated to settle the aforementioned receivables – with the exception of the aforementioned setoff option. Therefore, LUDWIG BECK cannot claim receivables from the other shareholder on account of this excess.

(8) Accruals

The following disclosures are to be made on the accruals formed in accordance with IAS 37:

	As of 1/1/2021	Utilization	Addition	As of 12/31/2021
	€k	€k	€k	€k
Repair and maintenance obligation	1,267	0	672	1,939
Previous year	*1,311*	*44*	*0*	*1,267*
Pension commitments	1,064	7	0	1,057
Previous year	*944*	*0*	*120*	*1,064*
Obligation from accepted legacy	519	327	0	192
Previous year	*642*	*123*	*0*	*519*
Total accruals	**2,851**	**334**	**672**	**3,188**
Previous year	*2,897*	*167*	*120*	*2,851*

Repair and maintenance obligations

The provision relates to restoration obligations from a rental agreement and was derived from an expert opinion. These are deconstruction obligations upon termination of this rental agreement. The amounts of the obligation were estimated for the anticipated dates of fulfilment. The values set down in the expert opinion were extrapolated based on an average construction cost increase and discounted at a normal market rate. Unless this estimation is to be adjusted in the coming years, the accruals will be compounded proportionally.

Utilization is scheduled for the relevant determination date of the underlying rental agreement. Due to the long-term term of the rental agreement, a short- to medium-term utilisation is not to be expected.

Pension commitments

Accruals for pension commitments are established for employee benefit schemes providing for retirement, invalidity, and surviving dependents' benefits if the pension plan is a defined benefit plan in accordance with IAS 19R.

Pension accruals for defined benefit plans are determined in accordance with the internationally accepted "projected unit credit method" pursuant to IAS 19R. Future pension commitments are measured based on the prorated acquired entitlements as of the balance sheet date.

In these consolidated financial statements, the company recognises pension obligations in accordance with IAS 19R. Accordingly, so-called actuarial gains and losses are recognised directly under shareholders' equity pursuant to IAS 19R. Furthermore, the company paid contributions into an external pension fund that will make payments in the event giving rise to benefits. This insurance policy qualifies as a plan asset. Due to the aforementioned transfer of pension liabilities to a pension fund, LUDWIG BECK assumes the Group won't have any payment obligations when pension benefits fall due.

The present value of the pension commitment and the fair value of the plan assets have developed as follows in the fiscal year:

	12/31/2021	12/31/2020
	€k	€k
Present value of pension commitments as of 1/1	3,511	3,413
Interest costs	32	35
Retirement benefits	-487	-103
Actuarial gains (-) / losses (+) to be recognised directly in equity	45	166
Present value of pension commitments as of 12/31	3,101	3,511
Carrying amount of pension commitments before offsetting	**3,101**	**3,511**

	12/31/2021	12/31/2020
	€k	€k
Present value of plan assets as at 1/1	-2,447	-2,469
Income from plan assets	-84	-80
Payments from plan assets	487	104
Actuarial gains (-) / losses (+)	0	-1
Present value of plan assets as at 12/31	**-2,044**	**-2,447**
Remaining difference as of 12/31	**1,057**	**1,064**

The present values of pension commitments amounted to € 3,413k as of December 31, 2019, and to € 3,053k as of December 31, 2018, those of the plan assets to € 2,649k and € 2,489k, respectively.

The following actuarial assumptions form the basis for the determination of the balance sheet value of the commitments:

	2021	2020
Discount factor	1.3%	0.75%
Pension trend	1.70%	1.00%

The “2018 G Reference Tables” by Klaus Heubeck served as a biometric basis for the relevant calculations.

Actuarial gains or losses resulted from asset changes and deviations of the actual trends (e.g., interest rate variations) from the original calculation parameters.

A change of the actuarial rate by +0.5 percentage points would result in a reduction in the present value of the benefit commitments to € 2,917k. A change by -0.5 percentage points would raise the present value of the benefit commitments to € 3,304k.

A 7.5% pension trend adjustment every six years would reduce the present value of the benefit commitments to € 2,881k. A 7.5% change every three years would raise the present value of the benefit commitments to € 3,349k.

The company expects service costs in the amount of € 0k and an interest cost of € 40k as well as plan asset yields in the amount of € 65k for fiscal year 2022. No contributions to plan assets have been made since December 1, 2017. The weighted average term of benefit commitments is 12.58 years.

Obligation from accepted legacy

By accepting the legacy of a late shareholder, LUDWIG BECK incurred contractual obligations towards the surviving relatives of this former shareholder amounting to € 192k (previous year: € 297k) as of December 31, 2021. In return, the LUDWIG BECK Group received shareholder’s interest in Feldmeier GmbH & Co. Betriebs KG.

Of the total amount of € 192k, a utilisation of € 128k is expected within twelve months. Furthermore, prorated utilization can be expected until June 30, 2023.

(9) Liabilities

As of the balance sheet date, liabilities are as follows:

		Residual term		
	Sum total	**up to 1 year**	**1 - 5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
1. Financial liabilities	95,949	12,450	35,422	48,077
Previous year	*116,050*	*27,077*	*24,123*	*64,850*
2. Trade liabilities	940	940	0	0
Previous year	*831*	*831*	*0*	*0*
3. Tax liabilities	450	450	0	0
Previous year	*858*	*858*	*0*	*0*
4. Other liabilities	4,419	4,419	0	0
Previous year	*3,245*	*3,245*	*0*	*0*
- tax related: € 932k (previous year: € 467k)				
- social security related: € 0k (previous year: € 3k)				
12/31/2021	**101,757**	**18,258**	**35,422**	**48,077**
Previous year	*120,984*	*32,011*	*24,123*	*64,850*

In connection with the aforementioned financial liabilities, the following contractually agreed interest payments would have to be made in the coming years:

		Residual term		
	Sum total	**up to 1 year**	**1 - 5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
Loan interests	997	355	642	0
Previous year	*1,603*	*603*	*997*	*3*

€ 13,988k of financial liabilities in the aggregate amount of € 95,949k were applied to financing the "Marienplatz" property. The liabilities are secured as follows:

	€k
Land charges UniCredit Bank AG for real estate loans	13,988
Land charges UniCredit Bank AG for LfA loans	6,012

The other financial liabilities are not collateralised as of December 31, 2021.

9 a) Financial liabilities (long-term)
The long-term financial liabilities are as follows:

	12/31/2021	12/31/2020
	€k	€k
Loan UniCredit Bank AG	23,617	26,396
Leasing	59,882	62,970
	83,499	**89,366**

Loans do not contain any loan derivatives (structured products) that have to be split off or valued separately.

Long-term financial liabilities are carried at amortized cost that, in the present case, equal the repayment amounts. Interest rates ranged between 1.10% and 1.8% in the year under report.

The fair value of the long-term financial liabilities amounted to € 84,425k (previous year: € 90,424) as of the balance sheet date.

9 b) Financial liabilities (short-term)
Short-term financial liabilities are as follows:

	12/31/2021	12/31/2020
	€k	€k
Current account liabilities	6,508	12,791
Loan UniCredit Bank AG	2,778	901
Loan SIGNAL Krankenversicherung a.G.	0	9,575
Leasing	3,084	3,061
Other loans	80	356
	12,450	**26,684**

As of December 31, 2021, the current account and guarantee credit lines granted by banks amounted to € 43,000k. They were subject to interest at market rates when utilized.

Short-term financial liabilities are recognised at repayment value.

The interest rates for short-term financial liabilities ranged between 1.0% and 2.0% in the year under report.

Summarized Presentation of long-term and short-term liabilities from finance leases

				Residual term
	Sum total	up to 1 year	1 - 5 years	over 5 years
	€k	€k	€k	€k
1. Minimum lease payments	82,586	4,497	16,847	61,242
Previous year	*85,509*	*4,538*	*15,777*	*65,194*
2. Interest and administrative costs	19,620	1,413	5,042	13,165
Previous year	*19,478*	*1,477*	*3,906*	*14,095*
3. Redemption (present value of lease liabilities)	62,966	3,084	11,804	48,077
Previous year	*66,031*	*3,061*	*11,871*	*51,099*

No purchase options were agreed within the framework of finance leases.

9 c) Trade liabilities (short-term)

Trade payables in the amount of € 940k (previous year: € 831k) are carried at their repayment values. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are generally paid within ten days to benefit from cash discounts, whereas the credit period is generally 60 days.

9 d) Other liabilities (short-term)

	12/31/2021	12/31/2020
	€k	€k
Wage and sales taxes	932	467
Purchase vouchers	1,509	1,321
Personnel expenses	162	340
Year-end closing and tax declaration costs	162	188
Other accrued liabilities	1,654	929
	4,419	**3,245**

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 450k (previous year: € 858k) as of December 31,2021. This mainly relates to income taxes in connection with the property disposals in the past two years.

(10) Deferred taxes (assets and liabilities)

Deferred taxes are attributable to the following consolidated balance sheet items or matters:

	12/31/2021		12/31/2020	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
Brand name “LUDWIG BECK“		673		673
Land		328		328
Buildings	0		37	
Accruals	339		416	
Finance Lease	798		655	
Loss carry-forwards	3,282		3,348	
Other		18		18
Total	**4,419**	**1,019**	**4,456**	**1,019**
Net balance of deferred taxes	-691	-691	-691	-691
Sum total according to the consolidated balance sheet	**3,728**	**328**	**3,765**	**328**

With the exception of the categories brand name “LUDWIG BECK” and land, deferred taxes have resulted exclusively from temporary taxable differences between the tax balance sheet and the IFRS balance sheet of the respective company (IAS 12.15). These temporary differences and hence the deferred taxes will be released over the corresponding periods (until the recognition of the respective asset or liability).

Deferred tax liabilities were formed for a “quasi-permanent” difference between the valuation of the land in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the IFRS balance sheet. The sale of the real estate company has been considered the most probable realization proposition.

Deferred tax liabilities were also formed for the "quasi-permanent" difference between the valuation of the "LUDWIG BECK" brand name in the IFRS balance sheet and the valuation in the tax balance sheet.

Deferred tax assets were recognised in full in the balance sheet for the tax losses incurred solely resulting from the COVID-19 pandemic in the 2020 and 2021 fiscal years, as the company believes sufficient taxable profits will be available in the future to utilise the tax loss carry forward. The usability of the tax loss carried forward is not limited in time. In the 2021 fiscal year, deferred tax assets in the amount of € 359k were used due to corporate tax loss carry back and associated tax refunds.

The residual terms of the accrual-related deferred items, as well as those attributable to the two "quasi-permanent" differences, have a remaining term of more than 12 months.

The balance sheet item for deferred taxes includes deferred tax assets in the amount of € 348k (previous year: € 351k) that are attributable to expenses and income recognised directly in equity.

II. Consolidated statement of comprehensive income

(11) Sales revenue

	2021	2020
	€k	**€k**
Sales revenue	55,399	51,490

Sales revenue is explained in more detail in the segment reporting section. With the exception of an amount totalling € 2,717k (previous year: € 1,931k), all net sales of the LUDWIG BECK Group were generated in Germany.

Sales revenues include rental income from operating leases amounting to € 255k (previous year: € 231k).

(12) Other own work capitalised

Other own work capitalised in the fiscal year amounted to € 118k (previous year: € 47k). This item concerns personnel expenses incurred during refurbishing works at the department store at Marienplatz.

(13) Other operating income

Other operating income consists of the following items:

	2021	2020
	€k	**€k**
Rental income	867	952
Sales proceeds	459	509
Personnel earnings	295	460
Cafeteria earnings	184	207
Aperiodic income	526	216
Income from bridging aid III	5,667	0
Other income	3,328	4,498
	11,325	**6,842**

Other income includes € 2,315k capital gains on the sale of two properties in Hanover. The previous year's amount was mainly due to the sale of the property in Haar.

(14) Cost of materials

	2021	2020
	€k	**€k**
Cost of merchandise	30,027	30,974

The expenses reported under this item include merchandise at cost less discounts received, as well as changes in opening and closing stock and reductions due to lack of saleability.

(15) Personnel expenses

	2021	2020
	€k	€k
Wages and salaries	10,945	11,253
Social security contributions	2,117	2,144
Pension costs	114	125
	13,176	**13,523**

In fiscal year 2021, the LUDWIG BECK Group applied for or received short-time allowances in the amount of € 745k (previous year: € 1,068k).

Pensions

The LUDWIG BECK Group has so-called defined contribution and defined benefit pension plans (IAS 19R) for employees.

These are divided into the following groups:

a) Pension scheme for all employees of LUDWIG BECK

As of January 1, 2001, employees have the possibility to apply for inclusion in the union-agreed pension scheme after 6 months of service.

For employees who joined the company before March 31, 2000, the pension scheme is a direct insurance agreement with an independent third party (with complete reinsurance cover). For employees who joined the company after March 31, 2000, contributions are paid into a pension fund.

The scheme is financed by employer contributions expensed to the consolidated profit and loss account.

Employees who joined the company by March 31, 2000, are older than 25 years, and have been with the company for at least 5 years receive a voluntary pension commitment from LUDWIG BECK, whereby union-agreed pension claims are offset.

The scheme qualifies as a contribution-oriented plan within the meaning of IAS 19R.

The expenses for these pension commitments amounted to € 114k in 2021 (previous year: € 125k).

A total of 271 (previous year: 294) employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

Two former Executive Board members have received a pension commitment from LUDWIG BECK. The commitment is a defined benefit plan within the meaning of IAS 19R. The benefit entitlement for one member of the Executive Board was settled in 2021 by payments from plan assets.

Expenses from pension obligations are shown under (8).

(16) Depreciation

For details concerning the composition of depreciation and amortization of intangible assets and property, plant, and equipment, please refer to the fixed asset schedule.

(17) Other operating expenses

Other operating expenses include the following items:

	2021	2020
	€k	€k
Rental expenses	200	10
Other occupancy costs	2,176	1,991
Administrative expenses	1,583	1,532
Sales expenses	5,015	4,234
Other personnel expenses	772	964
Insurance/contributions	222	222
Other taxes	121	121
Other	556	480
	10,646	**9,554**

(18) Financial result

	2021	2020
	€k	€k
Interest income	85	80
Interest expenditure	2,400	2,459
Financial result	**-2,315**	**-2,379**

Interest income concerned interest received on plan assets in the amount of € 84k (previous year: € 80k). The interest portion of interest expenditure relating to pension commitments was € 32k (previous year: € 35k).

(19) Taxes on income

	2021	2020
	€k	€k
Taxes on income	655	1,304
Other deferred tax income (-) / tax expense (+)	52	-3,825
	697	**-2,521**

Deferred tax income / tax expense	2021	2020
	€k	€k
From the accounting of loss carry forwards	66	-3,348
From the accounting of financing leases pursuant to IFRS 16	-143	-410
From temporary differences in accounting for buildings	49	-82
From temporary differences in accounting for pension accruals	80	15
Total deferred tax income (-) / tax expense (+)	**52**	**-3,825**

The following table reflects the transition from tax expenses or yields calculated based on the Group-specific tax rate of 32.975% (corporation tax, solidarity surcharge, trade tax) and the tax expenses or yields carried in the IFRS-compliant consolidated financial statements:

	2021	2020
	€k	€k
Earnings before taxes on income	4,327	-4,257
Nominal Group-specific tax rate in %	32.975	32.975
Calculated tax expense	1,427	-1,404
Changes in the calculated tax expense:		
– Tax rate differences from real estate companies of the LUDWIG BECK Group	-939	-1,389
– Deviating basis for tax assessment	212	217
– Other	-3	55
Actual tax expense	**697**	**-2,521**

(20) Income and expenses directly entered in equity

Income and expenses directly entered inequity are subject to the following deferred tax expenses or income:

	2021	2020
	€k	€k
Net pension commitment		
– Income (+) / expense (-)	-45	-164
– Deferred tax income (-) / tax expense (+)	-14	-54
Net income (+) / net expense (-)	-31	-110
Sum total of income (+) and expenses (-) directly entered in equity	**-31**	**-110**

(21) Explanations to earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing consolidated net profit by the weighted average number of shares issued during the period under review.

Earnings per share

	2021	2020
Consolidated net profit (+) / net loss (-) in €k	3,630	-1,737
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	0.98	-0.47

Undiluted and diluted earnings are identical.

Dividend proposal
The Executive Board proposes to distribute no dividend for the 2021 fiscal year.

D. EXPLANATIONS TO SEGMENT REPORTING

The following segment reporting complies with IFRS 8 “Operating Segments” that defines the requirements for reporting on the financial results of a company’s operating segments. The applied method is the so-called “Management Approach” that requests a company to present segment information based on the Internal Reports regularly reviewed by the so-called “Chief Operating Decision Maker” for the purpose of deciding on the allocation of resources to individual segments and performance assessment.

LUDWIG BECK subdivides its reporting segments into "textile" (clothing) and "non-textile" (accessories, stationery, music, beauty).

In the 2021 fiscal year, the Group figures to be segmented are split among individual segments as follows:

	Group	**Textile**	**Non-textile**
	€k	**€k**	**€k**
Gross sales	**65,950**	**44,409**	**21,541**
Previous year	*60,365*	*39,223*	*21,142*
VAT	-10,551	-7,091	-3,460
Previous year	*-8,876*	*-5,755*	*-3,121*
Net sales	**55,399**	**37,319**	**18,080**
Previous year	*51,490*	*33,468*	*18,022*
Cost of sales (without discounts, rebates etc.)	-30,858	-20,731	-10,126
Previous year	*-29,706*	*-19,579*	*-10,127*
Gross profit	**24,542**	**16,588**	**7,954**
Previous year	*21,784*	*13,889*	*7,895*
Personnel expenses of sales	-5,315	-3,037	-2,278
Previous year	*-5,687*	*-3,324*	*-2,363*
Calculatory occupancy costs	-11,927	-9,915	-2,012
Previous year	*-12,545*	*-10,379*	*-2,166*
Calculatory interests	-1,319	-890	-428
Previous year	*-1,364*	*-920*	*-444*
Segment result	**5,981**	**2,745**	**3,236**
Previous year	*2,188*	*-734*	*2,922*
Discounts, rebates, etc. on the cost of sales	831		
Previous year	*-1,269*		
Other operating income and expenses	12,724		
Previous year	*9,880*		
Other personnel expenses	-7,861		
Previous year	*-7,836*		
Depreciation	-6,352		
Previous year	*-6,206*		
Other financial result	-996		
Previous year	*-1,015*		
Taxes on income	-697		
Previous year	*2,521*		
Earnings after taxes from continued operations	**3,630**		
Previous year	*-1,737*		

	Group	Textile	Non-textile
	€k	€k	€k
Segment assets			
Inventories	10,344	6,136	4,208
Previous year	*11,870*	*6,955*	*4,915*
Segment assets total	**10,344**	**6,136**	**4,208**
Previous year	*11,870*	*6,955*	*4,915*

E. EXPLANATIONS TO CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's liquid funds changed during the year under review as a result of inflows and outflows of cash. In accordance with IAS 7 (Cash Flow Statements), the company distinguishes between cash flows from operating, investing, and financing activities. The liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

Cash and cash equivalents within the meaning of IAS 7.6. et seq. equal the sum of cash-in-hand and short-term bank balances.

As per December 31, 2021, LUDWIG BECK Group has access to framework credit facilities of € 43,000k. Approximately. 24% of said facilities have been utilized for bank guarantees and short-term bank loans.

F. EXPLANATIONS TO CONSOLIDATED EQUITY STATEMENT

The equity statement reflects the changes to the Group's individual equity items in the course of the year under review. The presentation is in accordance with IAS 1.

G. OTHER DETAILS

I. Contingent liabilities, contingent receivables

1. Contingent liabilities

In addition to actual commitments covered by accruals, there are no probably occurring commitments depending on future events.

2. Contingent receivables

There are no contingent receivables to be disclosed pursuant to IAS 37.

II. Other financial commitments

The Group is bound by a purchase order commitment for merchandise in the value of € 13,954k (previous year: € 9,154k).

III. Leasing

The accounting principles for assets and liabilities for leases are described in section B. IV. 5.

Leasing agreements where LUDWIG BECK acts as lessee

The development of rights of use assets from leasing agreements in which LUDWIG BECK acts as the lessee is shown in section C. I. (1).

	2021	2020
	€k	€k
Depreciation of the fiscal year		
Land, land rights and buildings including buildings on third party land	3,457	3,319
Other fixtures and fittings, tools and equipment	42	40
Addition for the fiscal year		
Land, land rights and buildings including buildings on third party land	0	2,450
Other fixtures and fittings, tools and equipment	0	18
Interest expense	1,478	1,507
Total payments for financial leases	3,896	3,707

In the previous year, there was a profit from a sale and leaseback transaction in the amount of € 4,003k.

The development of leasing liabilities from leasing agreements in which LUDWIG BECK acts as lessee is shown in section C. I. 9b).

Operating leasing agreements where LUDWIG BECK acts as lessor

In the fiscal year 2021, properties for which LUDWIG BECK acted as lessor were sold. Accordingly, no more payments are expected as of January 1, 2022.

IV. Declaration of conformity according to section 161 Stock Corporation Act (AktG) (Corporate Governance)

On September 14, 2021, the Executive Board and the Supervisory Board of LUDWIG BECK AG issued the Declaration of Conformity according to Section 161 Joint Stock Corporation Act (AktG).

The Declaration of Conformity is made permanently available to shareholders on the Company's website in the Investor Relations section under the Corporate Governance menu item on the Declaration of Compliance page.

V. Relations to related companies and persons

The following lists the companies and persons related to the Group pursuant to IAS 24.

Executive Board:

Christian Greiner, Chairman, Businessman
Jens Schott, Businessman

The total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for its activities in fiscal year 2021 amounted to € 557k (previous year: € 476k).

As of December 31, 2021, members of the Executive Board held 965,399 shares (previous year: 16,000 shares, inflow 2021: 949,399 shares).

Individual details of Executive Board remuneration are included in the Remuneration Report section of the consolidated management report.

Supervisory Board:

Dr Bruno Sälzer, Chairman, Businessman, Grünwald
Sandra Pabst, Deputy Chairperson, Managing Director, Nuremberg
Clarissa Käfer, Tax Consultant and Lawyer, Munich
Josef Schmid, Lawyer, Munich
Michael Eckhoff, Department Manager, Munich*)
Michael Neumaier, Commercial Clerk, Grafrath*)

The total remuneration of the Supervisory Board in fiscal year 2021 amounted to € 166k (previous year: € 173k).

In the 2021 fiscal year, transactions with related parties took place only to an insignificant extent. All transactions with related parties were conducted at arm's length conditions.

The following members of the Executive Board and the Supervisory Board are members of the Supervisory Board or similar bodies of other companies:

Mr Christian Greiner

Supervisory Board Chairman:	Rudolf Wöhrl SE, Nuremberg
Supervisory Board:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Advisory Board:	Bültel International Fashion Group, Salzbergen
	Deutsche Bank AG, Advisory Board Bavaria

Dr Bruno Sälzer

Board of Directors:	Zino Davidoff SA, Basel
Supervisory Board:	Lacoste Holding, Paris
Advisory Board:	Deichmann SE, Essen

Mrs Sandra Pabst

Supervisory Board:	AURUM-Project AG, Reichenschwand
	Curameo AG, Reichenschwand

Mrs Clarissa Käfer

Supervisory Board Chairwoman:	Käfer AG, Parsdorf
Supervisory Board:	Münchner Bank eG, Munich
Member of the Board of Trustees:	Bayrische Sportstiftung, Munich
Advisory Board:	Eichbauer Gruppe, Munich

As in the previous year, the members of the Supervisory Board held no shares as of December 31, 2021.

VI. Supplementary report

There were no significant events that occurred after the end of the fiscal year and are not reflected in the consolidated statement of comprehensive income or the consolidated balance sheet.

*) Employee representatives

VII. Audit fees

The auditor's fee in the past fiscal year 2021 amounted to € 104k (previous year: € 105k).

The fee for the audit of the consolidated financial statements, the annual financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, as well as audit reviews carried out for subsidiaries amounted to € 100k (previous year: € 100k). The amount incurred for audit-related issues amounted to € 4k (previous year: € 5k).

VIII. Personnel

	2021	2020
Full-time	132	139
Part-time	155	158
Temporary	86	101
	373	**398**

Apprentices were not included in the calculation.

IX. Information according to section 297 para. 2 Commercial Code (HGB)

The Executive Board issued the statutory declaration required by Section 297 Par. 2 Commercial Code (HGB).

Munich, February 28, 2022

The Executive Board

Christian Greiner Jens Schott

3 Consolidated *Management Report*

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I. Group Fundamentals

1. BUSINESS ACTIVITY

The Munich Fashion Group LUDWIG BECK operates a retail textile business in the medium and premium price segments. The offered product range mostly consists of textile goods but also non-textile goods such as cosmetics, paper products, and sound recordings. Its brick-and-mortar business centres on the “Store of the Senses” flagship store at Munich’s Marienplatz. In addition, exclusive beauty products are available in an annex in FÜNF HÖFE, Munich.

In addition to the brick-and-mortar shop, customers in German-speaking regions are addressed by the ludwig-beck.de online portal with a wide selection of premium cosmetics, textiles, and accessories.

2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Germany’s leading fashion houses. Combining top-end product selections, creatively staged product presentations, and service-oriented advice and sales culture, a top city location is the method of choice for cementing this market position.

Promotions, presentations, and sales spaces are constantly reviewed with a clear focus on optimization. LUDWIG BECK’s traditionally outstanding quality of service is further developed to keep up with growing customer demands.

To realize the envisaged high-end service level, LUDWIG BECK relies on satisfied employees who not only appreciate the Group as a sought-after employer and career home but also make active use of the wide range of generously offered development opportunities.

3. INTERNAL CONTROL SYSTEM

An internal control system provides LUDWIG BECK with all required information for controlling inventories, product selections, and the allocation of sales areas in an efficient manner. The system allows for accurate to-the-date resource planning analyses, organized by categories, such as product group and article number through to department volume.

The Group's financial scope of action is continuously monitored on the basis of these parameters by way of target-actual comparison, in order to be able to respond swiftly if significant deviations occur.

In addition to the financial performance indicators integrated into the aforementioned control system, the company uses a number of other key parameters to measure economic efficiency. These refer to developments in sales and earnings, working capital as well as investments in relation to capital employed.

The monthly reporting system provides the Executive Board with information on target-actual analyses reflecting the development of the key parameters. This is to make sure that immediate action can be taken if current business performance results deviate from the plan. In parallel, a thorough cause analysis makes sure that risks are kept at a minimum and opportunities exploited.

II. Economic Report

1. GENERAL AND BRANCH-SPECIFIC ENVIRONMENT

Global economy still affected by COVID 19 pandemic

Still dominated by the COVID-19 pandemic in 2021, the global economy in general is in a state of upheaval. America has new leadership, the UK is no longer a member of the EU, China's economy continues to grow, albeit at a much slower pace, and the differences between the Western states, Russia, and Ukraine are manifesting themselves in what has become an open conflict.

The pandemic situation continues to play a dominant role in global economic development. While the economic output of countries in lockdown continued to decline at the beginning of 2021, there were signs of growth in the second quarter. Recovery slowed in the middle of the year. While growth was supported by countries where the pandemic situation allowed for an easing of measures to contain new infections, lockdowns in many regions of the euro area caused a decline in economic output.

In addition, there was a shortage of intermediate goods, caused by significantly higher raw material prices and interruptions in production, e.g., due to lack of availability of semiconductor products. Global trade was also severely disrupted by the six-day block of the Suez Canal at the end of March and closed ports due to the coronavirus pandemic. All this led to an extreme surge in logistics costs.

German economy recovers

The German economy was able to recover from the previous year's sharp decline despite the ongoing pandemic and increasing supply and material bottlenecks. However, the coronavirus variants Delta and Omicron significantly curbed the economy again at year end. Based on preliminary calculations by the Federal Statistical Office, the price-adjusted gross domestic product grew by 2.7% compared to 2020. However, it was still 2.0% lower in 2021 compared to 2019.

While production in some areas was massively constrained in the crisis year 2020, economic output increased in almost all sectors in 2021. Above all, manufacturing and most service sectors recorded significant gains compared to the previous year. Still, output in most sectors has not yet returned to pre-crisis levels.

The export-driven economy recovered in 2021 from the sharp decline in 2020. Germany recorded a price-adjusted export of goods and services of +9.4% compared to the previous year. Imports grew by 8.6 % in price-adjusted terms.

Price-adjusted, private consumer spending stabilised at the low level of the previous year. Government consumption, with a price-adjusted increase of 3.4%, was a pillar of growth for the German economy.

Inflation in 2021 was +3.1 % compared to the previous year. In December 2021, inflation reached +5.3%, its highest level of the year. A higher inflation rate was last recorded in 1992.

Stationary textile sector suffers second record minus in a row due to COVID-19 pandemic

The year 2021 started with a lockdown for retailers that began already on December 16 of the previous year and lasted until March. As a result, brick-and-mortar fashion retailers lost 12% in sales last year compared to 2020, marking a record loss two years in a row. Overall, the stationary fashion trade lost more than 50 sales days in 2021.

Figures from the Federal Statistical Office show the retail trade with textiles, clothing, shoes, and leather goods was amongst the sectors with the biggest sales losses. On the other hand, online and mail-order retailing increased sales significantly compared to the previous year.

After the shops reopened in spring, sales largely returned to normal. TW-Testclub, for example, as the panel with the largest number of participants, reported a -40% for the first half of 2021 compared to the same period of the previous year. In the second half of the year, this decline was reduced to -12%.

In November, this trend was massively curbed by rising incidence figures and the Omicron variant. Consumer sentiment and frequencies fell sharply. The enforcement of 2G in the retail sector in December led to a further decline in frequencies and caused significant additional workload for shops. The regulation was suspended again in some federal states upon successful lawsuits. The lack of uniformity and constant changes in regulations caused irritation among consumers and were detrimental to positive business development.

In general, consumer behaviour has changed. According to GfK, more than 80% of consumers fundamentally changed their shopping behaviour during the pandemic. Online shopping, social commerce, and live video shopping are now playing an increasingly important role, and internet and mail-order retailers are the big winners. Stationary retail must react accordingly and increase its attractiveness. In 2021, TW-Testclub says consumers will have reduced their fashion spending by just under €1 billion compared to the previous year.

2. LUDWIG BECK BUSINESS DEVELOPMENT

The start of 2021 was not very hopeful after a new "hard" lockdown was imposed on shops for non-daily needs as early as mid-December 2020. In Bavaria, the lockdown lasted until March 7. LUDWIG BECK had to keep its doors closed 56 sales days in the first quarter of 2021. After that, stationary retail was allowed to reopen its doors if the incidence of infection was below 50 on a seven-day basis and if the shop complied with hygiene regulations. With a seven-day incidence between 50 and 100, as was the situation in Munich according to the RKI, retailers were only allowed to offer "Click & Meet + Test", i.e., customers had to book, register and test for an appointment before entering the shops.

But even after reopening, restrained consumer sentiment was quickly noticed. Tourism recovered slightly during the summer but not as strong as usual. The renewed cancellation of Oktoberfest also had a severe impact on business. With the start of the fourth wave, official measures and requirements were once again tightened. From mid-December onwards, this meant customers were only allowed to shop under the 2G rule. Christmas markets were once again cancelled. The general uncertainty among the public due to the officially ordered measures had a correspondingly negative impact on LUDWIG BECK's sales. Only the online business continued to develop positively, but it was far from able to compensate for the drop in stationary sales.

Basically positive is the fact that textile trade in Bavaria was classified as daily needs by the High Administrative Court of Bavaria at the end of December. This could spare textile retailers like LUDWIG BECK from complete close downs in the future.

3. CONSOLIDATED EARNINGS

All sums in the following charts are calculated precisely and then rounded to one decimal place to €m. Percentages were derived from precise (not rounded) values.

	1/1/2021–12/31/2021		1/1/2020–12/31/2020		Delta
	€m	%	**€m**	%	**€m**
Gross sales	66.0	119.0%	60.4	117.2%	5.6
VAT	10.6	19.0%	8.9	17.2%	1.7
Net sales	**55.4**	**100.0%**	**51.5**	**100.0%**	**3.9**
Own work capitalised	0.1	0.2%	0.0	0.1%	0.1
Other operating income	11.3	20.4%	6.8	13.3%	4.5
	66.8	**120.7%**	**58.4**	**113.4%**	**8.5**
Cost of materials	30.0	54.2%	31.0	60.2%	-0.9
Personnel expenses	13.2	23.8%	13.5	26.3%	-0.3
Depreciation	6.4	11.5%	6.2	12.1%	0.1
Cost of office and store space	2.4	4.3%	2.0	3.9%	0.4
Administrative expenses	1.6	2.9%	1.5	3.0%	0.1
Sales expenses	5.0	9.1%	4.2	8.2%	0.8
Other personnel costs	0.8	1.4%	1.0	1.9%	-0.2
Insurance and contributions	0.2	0.4%	0.2	0.4%	0.0
Other expenses	0.7	1.2%	0.6	1.2%	0.1
Sum total of other operating expenses	**10.6**	**19.2%**	**9.6**	**18.6%**	**1.1**
Earnings before interest and taxes (EBIT)	**6.6**	**12.0%**	**-1.9**	**-3.6%**	**8.5**
Financial result	-2.3	-4.2%	-2.4	4.6-%	0.1
Earnings before taxes (EBT)	**4.3**	**7.8%**	**-4.3**	**-8.3%**	**8.6**
Taxes on income	0.7	1.3%	-2.5	-4.9%	3.2
Earnings after taxes (EAT)	**3.6**	**6.6%**	**-1.7**	**3.4%**	**5.4**
Expenses (-) and income (+) directly entered into equity	0.0	-0.1%	-0.1	-0.2%	0.1
Consolidated comprehensive income	**3.6**	**6.5%**	**-1.8**	**3.6%**	**5.5**
Gross profit	25.4	45.8%	20.5	39.8%	4.9
EBITDA	13.0	23.5%	4.3	8.4%	8.7
Operating margin (EBT / net sales) in %	7.8		-8.3		

Segment reporting

LUDWIG BECK's segment reporting comprises the segments "textile" and "non-textile":

1/1/2021– 12/31/2021	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	44.4	119.0%	21.5	119.1%	66.0	119.0%
Previous year	*39.2*	*117.2%*	*21.1*	*117.3%*	*60.4*	*117.2%*
VAT	-7.1	19.0%	-3.5	19.1%	-10.6	19.0%
Previous year	*-5.8*	*17.2%*	*-3.1*	*17.3%*	*-8.9*	*17.2%*
Net sales	37.3	100.0%	18.1	100.0%	55.4	100.0%
Previous year	*33.5*	*100.0%*	*18.0*	*100.0%*	*51.5*	*100.0%*
Cost of sales (without discounts, rebates etc)	-20.7	55.6%	-10.1	56.0%	-30.9	55.7%
Previous year	*-19.6*	*58.5%*	*-10.1*	*56.2%*	*-29.7*	*57.7%*
Gross profit	16.6	44.4%	8.0	44.0%	24.5	44.3%
Previous year	*13.9*	*41.5%*	*7.9*	*43.8%*	*21.8*	*42.3%*
Personnel expenses of sales	-3.0	8.1%	-2.3	12.6%	-5.3	9.6%
Previous year	*-3.3*	*9.9%*	*-2.4*	*13.1%*	*-5.7*	*11.0%*
Imputed occupancy costs	-9.9	26.6%	-2.0	11.1%	-11.9	21.5%
Previous year	*-10.4*	*31.0%*	*-2.2*	*12.0%*	*-12.5*	*24.4%*
Imputed interest costs	-0.9	2.4%	-0.4	2.4%	-1.3	2.4%
Previous year	*-0.9*	*2.7%*	*-0.4*	*2.5%*	*-1.4*	*2.6%*
Segment result	2.7	7.4%	3.2	17.9%	6.0	10.8%
Previous year	*-0.7*	*-2.2%*	*2.9*	*16.2%*	*2.2*	*4.2%*

Sales development

In the 2021 fiscal year, LUDWIG BECK (including online) generated gross sales of € 66.0m (previous year: € 60.4m). The turnover of goods amounted to € 65.6m (previous year: € 60.1m).

The entire German textile retail sector, as well as LUDWIG BECK, continued to be exposed to the COVID-19 pandemic in 2021 and its drastic effects on the economy and consumer behaviour. The first half of 2021 was massively affected by the 10-week lockdown and then by the restricted access to department stores, such as Click & Meet and with an incidence of over 50 Click & Meet + Test. It was not until the end of May that the situation improved, and LUDWIG BECK was able to reopen normally. During the Christmas season, there were renewed restrictions due to the officially imposed 2G rule for retailers. The only positive development was in the online business; however, online sales could not compensate for the drop in sales in the stationary trade.

LUDWIG BECK generated sales in the “textile" segment of € 44.4m (previous year: € 39.2m). Sales in the "non-textile" segment, including online sales with Beauty, amounted to € 21.5m (previous year: € 21.1m).

Earnings situation

In line with the development of sales, gross profit was € 25.4m (previous year: € 20.5m). At 45.8%, the gross profit margin was significantly above the previous year's level (39.8%) due to significantly lower price discounts and lower markdowns on old merchandise. In addition to normal age-related markdown on merchandise, a special markdown of € 0.7m (previous year: € 1.9 m) was made on autumn/winter merchandise of the current season that could not be sold as well due to restrained consumer sentiment and declining frequencies.

Other income, composed of the profit from the sale of the real estate in Hanover amounting to € 2.3m, grants from bridging aid III (fixed cost aid) amounting to € 5.7m, and rental, administrative, sales, and personnel income totalling € 3.3m, amounted to a total of € 11.3m (previous year: € 6.8m). Bridging aid III was granted as partial compensation for the losses incurred due to officially imposed measures in connection with the COVID-19 pandemic from November 2020 to June 2021. The bridging aid is taxable income.

Personnel expenses amounted to € 13.2m in the 2021 fiscal year (previous year: € 13.5m). Due to the massive restrictions caused by shop closures and COVID-19 regulations that significantly reduced customer frequencies, LUDWIG BECK applied for short-time work during the affected months. Accordingly, personnel expenses were relieved by € 0.7m (previous year: € 1.1m) through payments of short-time working allowances by the German Bundesagentur für Arbeit.

Other operating expenses increased from € 9.6m to € 10.6m, mainly due to higher selling expenses. The increase in selling expenses is due to the strengthening of online activities.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) amounted to € 13.0m (previous year: € 4.3m) due to the special factors mentioned under other income and personnel expenses despite the negative merchandise business.

Depreciation and amortisation amounted to € 6.4m in the 2021 fiscal year (previous year: € 6.2m). Earnings before interest and taxes (EBIT) was € 6.6m (previous year: € -1.9m). After -3.6% in the previous year, the EBIT margin in the 2021 fiscal year was 12.0%.

The financial result amounted to € -2.3m (previous year: € -2.4m). Earnings before taxes (EBT), including all special factors, increased from € -4.3m in the previous year to € 4.3m in the 2021 fiscal year.

On the negative operating result of LUDWIG BECK AG, deferred tax assets of € 0.3m were recognised on loss carried forward at Group level. Due to a loss carry back, € 0.4m deferred tax assets were used in fiscal year 2021. In total, the recognised deferred tax assets on loss carried forward amounted to € 3.3m as of December 31, 2021. Management assumes they will be used up in the coming years after the COVID-19 pandemic through positive operating results. Across all companies of the LUDWIG BECK Group, tax expense of € 0.7m (previous year: tax income of € -2.5m) was reported.

Earnings after taxes (EAT) amounted to € 3.6m (previous year: € -1.7m).

4. CONSOLIDATED ASSETS

Assets	2021		2020	
	€m	%	€m	%
Long-term assets				
Intangible assets	4.7	2.8	4.5	2.5
Property, plant, and equipment	143.0	85.0	150.0	81.7
Other assets	0.1	0.1	0.1	0.1
Deferred Taxes	3.7	2.2	3.8	2.0
	151.6	90.1	158.5	86.3
Short-term assets				
Inventories	10.3	6.1	12.0	6.6
Receivables and other assets	6.0	3.5	2.0	1.1
Cash and cash equivalents	0.3	0.2	11.2	6.1
	16.6	9.9	25.3	13.7
Balance sheet total	**168.2**	**100.0**	**183.8**	**100.0**

The balance sheet total of the LUDWIG BECK Group stood at € 168.2m as of the balance sheet date December 31, 2021 (December 31, 2020: € 183.8m).

At € 4.7m intangible assets were slightly above the previous year's level (December 31, 2020: € 4.5m). In the 2021 fiscal year, LUDWIG BECK continued to invest in the online segment and digitalisation.

As in the previous year, property, plant, and equipment was the largest item on the balance sheet at € 143.0m (December 31, 2020: € 150.0m). In addition to the property at Marienplatz in Munich, with more than € 70m, rights of use from rental agreements in the amount of € 60.5m to be recognised in the balance sheet were the main items. The shares in the real estate company, including the property at Marienplatz in Munich, were acquired in the 2001 fiscal year. The carrying value was taken over unchanged since December 31, 2020.

The deferred taxes reported on the assets side are mainly deferred taxes on loss carried forwards of LUDWIG BECK AG. Further information on deferred tax assets on loss carried forwards has been provided in section II. 3. Consolidated earnings.

Short-term assets were at € 16.6m (December 31, 2020: € 25.3m). Significant among the short-term assets are inventories at € 12.0m (December 31, 2020: € 12.0m). At year-end, inventory of merchandise was significantly lower than in the previous year, due to a more moderate ordering strategy as a result of the COVID-19 pandemic in the last two years and partial supply bottlenecks due to severe COVID-19 restrictions in production and trade countries. As described under “Earnings situation”, a special markdown of € 0.7m (previous year: € 1.9m) was made on autumn/winter merchandise of the current season in addition to the normal, age-related markdowns.

Receivables and other assets include the price from the sale of a property in Hanover in the amount of € 4.5m, due in the first months of the 2022 fiscal year.

Cash and cash equivalents amounted to € 0.3m as of the reporting date December 31, 2021 (December 31, 2020: € 11.2m). These are cash in hand of LUDWIG BECK AG and bank balances of the subsidiaries. In the previous year, this item included the price from the sale of the property in Haar in the amount of € 10.1m. Bank balances of the previous year were offset against the current account overdrafts at the beginning of the 2021 fiscal year. As a matter of principle, LUDWIG BECK AG uses free liquidity within the Group to balance current account lines.

5. FINANCIAL POSITION

Liabilities	2021		2020	
	€m	%	€m	%
Shareholders' equity	63.0	37.4	59.6	32.4
Long-term liabilities				
Financial liabilities	83.5	49.6	89.4	48.4
Accruals	3.2	1.9	2.9	1.6
Deferred taxes	0.3	0.2	0.3	0.2
	87.0	51.7	92.6	50.1
Short-term liabilities				
Financial liabilities	12.4	7.4	26.7	14.7
Trade liabilities	0.9	0.6	0.8	0.5
Accrued taxes	0.4	0.3	0.9	0.5
Other liabilities	4.4	2.6	3.2	1.8
	18.2	10.9	31.6	17.4
Balance sheet total	**168.2**	**100.0**	**183.8**	**100.0**

As of December 31, 2021, the LUDWIG BECK Group had shareholders' equity of € 63.0m (December 31, 2020: € 59.6m). The positive result mainly contributed to this development. The equity ratio of the LUDWIG BECK Group was 37.4% (December 31, 2020: 32.4%) and was thus significantly improved compared to the previous year.

Financial liabilities of the Group totalled € 105.2m (December 31, 2020: € 124.2m). At the beginning of the 2021 fiscal year, as shown under cash and cash equivalents, bank balances of approximately € 10m were offset against current financial liabilities, so total liabilities and thus the balance sheet total were reduced by approximately € 10m.

Short-term and long-term financial liabilities were € 95.9m as of the balance sheet date (December 31, 2021: € 116.1m). In addition to the aforementioned offsetting of the bank balance from December 31, 2020, tax refunds of € 1.3m, the price payment for a property in Hanover of € 2.0m, and the repayment of finance lease liabilities and other bank liabilities from free cash flows were the reasons for this strong reduction. Of the €95.9m in financial liabilities, € 63.0m relate to finance lease liabilities, i.e., the capitalisation of rights of use from rental agreements.

As in previous years, trade payables were recognised at the settlement amount. Due to the short-term maturities of these liabilities, this amount corresponds to the market value of these liabilities. Suppliers are regularly paid within 10 days to benefit from cash discounts, whereas the credit period is generally 60 days.

The finance policy of the Group is directed at securing liquidity while optimizing financing costs. To the extent possible, non-operational risks are to be excluded.

Cash flow

Cash flow from operating activities amounted to € 10.2m in the 2021 fiscal year (previous year: € -3.5m), mainly due to the positive result compared to the previous year.

Cash flow from investment activities was € -1.0m as of December 31, 2021 (previous year: € 7.7m). Cash inflow from the sale of a property in Hanover in the amount of € 2.0m (previous year: property Haar € 10.0m) was offset by investments in the flagship store at Marienplatz in Munich, such as in the "Lady's Trend" department, in the CRM, online, and IT activities.

Cash flow from financing activities totalled € -20.1m (previous year: € 6.4m).

More details about individual cash flow items are listed in the consolidated cash flow statement.

6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

As in the previous year, business development was clearly marked by the effects of the COVID-19 pandemic and resulting measures by the authorities. With 56 sales lockdown days, the number increased significantly compared to the previous year with just under 40 days. This again had a considerable impact on the asset, financial and earnings situation of the Group. However, the Executive Board assumes the pandemic situation will gradually ease due to the ever-increasing vaccination and infestation of the population.

7. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

The qualification, motivation, and advisory competence of our employees are substantial factors for the business success of LUDWIG BECK. As intermediaries between our offer and our customers, their daily commitment is without equivalent. While trends and products come and go, the people behind the LUDWIG BECK brand are a permanent asset and constitute the real value of the company. No matter how high the quality of the products and the demands of the customers, the individual class of LUDWIG BECK's employees and their willingness to perform are more important. The company makes every effort to keep staff development and qualification at high levels.

LUDWIG BECK is also committed to the principles of Healthy Leading. This includes broad-ranged workshops for employees or fitness activities with cooperation partners. These health management activities minimize absences and enhance well-being at work.

Since the beginning of the COVID-19 pandemic, LUDWIG BECK has offered its administrative staff the ability to work from home. Many meetings now take place digitally to minimise the risks of infection with the coronavirus.

The Executive Board would like to take this opportunity to thank its employees once again for their relentless commitment and loyalty to LUDWIG BECK, even in these difficult and challenging times.

In 2021, the LUDWIG BECK Group had 373 employees on average (previous year: 397). The number of apprentices was 46 (previous year: 47). The weighted number of employees stood at 255 (previous year: 265). The decline in the number of employees was mainly due to temporary staff, who were only partially employed, not least because of the significantly reduced Christmas business.

III. Risk and Opportunity Report

RISK REPORT

Evaluation – a core mission

Long-term business success in a dynamic market can only be achieved by recognizing and engaging opportunities early on. This necessity is one of the fundamental entrepreneurial obligations.

The companies of the LUDWIG BECK Group are exposed to external and internal factors of influence that can have a direct or indirect impact on the business. LUDWIG BECK classifies these potentials by quantitative and qualitative indicators. The management continually examines the thus identified risks and opportunities, taking into consideration that almost a third of LUDWIG BECK's customers are tourists. Locally insignificant risks become more and more important from a trans-regional and global perspective. The same holds true for opportunities.

For the purpose of risk monitoring and evaluation, LUDWIG BECK has established the following risk categories:

Class A – significant risks: They include risks that, should they come to pass, would potentially endanger the company's existence. Diminishing or shifting these risks through controlling measures is only marginally possible – or not at all.

Class B – acceptable, yet relevant risks: Risks of this category either have a high damage potential and minor probability, or a high probability and minor damage potential.

Class C – non-relevant risks: Based on their extent of damage and probability, these risks can be classified as minor.

Constant evaluation enables the company to forestall and avert problems, and to utilize latent potentials to create value. Due to their size, DAX companies have personnel and technical resources to measure and evaluate opportunities and risks daily. LUDWIG BECK, however, relies on communication structures. In order to make the analytical process as efficient as possible, the Group's employees are in constant communication with the Executive Board that pursues an open door policy. On a higher level, the Executive Board and Supervisory Board discuss potential risks and opportunities, consider solutions, and determine adequate sets of measures.

1. Risks from the environment

Macro-economic risks (class B)
The combination of comprehensive reflationary programs, rescue packages for financial institutions and states, and sinking tax receipts led to an exceptional, historical high in budget deficits and record levels of national debt in Western industrialized nations. Developments in some European countries have demonstrated how easily investor concerns regarding a country's public finances can spread into other countries as well. Furthermore, high levels of national debt can dampen economic growth in the long term, ultimately endangering monetary stability. As a partial or overall effect, it must be taken into account that consumer sentiment, which remains high, may decline significantly if other issues gain priority.

Political and socio-political risks (class B)
As LUDWIG BECK partially targets demand from international customers, it has to consider global, socio-political risks. Political crises, currency slumps, wars, revolutions, and other societal upheavals in customers' home countries, as well as calls for boycott can cause important target groups to stay away from Munich.The war in Ukraine is a current example.

With the influx of refugees into Europe, especially Germany, the risks of societal distortions are growing. Examples of this are an increasingly harsher tone in public discourse, terrorist attacks committed by offenders who entered as refugees, the departure of large segments of the population from mainstream media and the government, celebrations in major cities that are only safe under the protection of massive police presence, and discussions about public safety that have never been so vehement. Worries and fears of many German citizens, poor information policy, the absence of clear signals from the government, and a revival of radical currents could lead to an increasing polarization of German society, incidentally influencing economic circumstances and consumer climate. It is currently difficult to predict whether the migrants who have arrived in Germany can be integrated into social life and the labour markets such that positive effects result for all. If this cannot be achieved in the long run, increasing exposure to the aforementioned risk could be the consequence.

Risks due to epidemics and pandemics (class B)
A city as highly linked and open to tourism as Munich is basically susceptible to epidemics and pandemics. Not only can the possible risk of illness of employees and customers severely impair business activities, but the fears generated by the news,

the information in the digital media, and rumours could also cause a drop in sales, particularly at the heavily frequented store at Marienplatz. The absence of daily visitors and tourists would cause an additional drawback for the flagship store, which is traditionally visited by a large number of foreign customers. Finally, in the case of an escalating public perception of an epidemic or pandemic, the overall economic impact might also affect LUDWIG BECK. In particular, adverse effects on consumer behaviour, supply shortages, or the official closure of stores could have a considerable negative effect on LUDWIG BECK's asset, financial, and earnings situation. In case of further restrictions or tightening of political measures in the course of the current COVID-19 pandemic, the company's substance could possibly be at risk.

Risk of terrorism (class B)
In the wake of Islamist terror attacks in Brussels, Nice, Berlin, and other cities in Europe and worldwide, this risk will remain factual in the foreseeable future. As evidenced by the terrorist warning on New Year's Eve 2015, the cosmopolitan city of Munich is also a potential target of attacks. The potential consequences of such a threat to German society for the overall economic situation are difficult to assess. Not only real threats but also putative dangers may cause customers to avoid bustling places and centres of cities. The flagship store at Marienplatz could suffer, at least temporarily, from the absence of regular customers and tourists in case of an actual terror alert or immediately after a real terrorist attack someplace else. On account of the mere existence of this type of risk, an anxious population and people impelled to change their plans may become significant factors to consider.

Weather risks (class B)
Global climate change is a fundamental risk facing a company in the textile retail sector. Summers are too cold and wet; winters are too mild or extremely cold. Temperatures show anti-cyclical patterns; the macro weather situation is unpredictable. This uncertainty thwarts consumers' propensity to buy. The usual pattern of seasonal buying is broken. A rainy summer, for example, is detrimental to the swim fashion collection. A mild winter curbs the demand for winter wear, such as coats, gloves, and hats. The past financial years were examples of the damage a sequence of unpredictable weather conditions can wreak on the entire German fashion sector.

Accessibility risk (class B)
The central location of the flagship store at Marienplatz relies to a great extent on accessibility via the public transport system. Public service strikes or interruptions of the local transportation networks can hamper or even prevent the unobstructed transportation of customers to the city centre. Thus, there is a risk of reduced sales if a normal business in the following days cannot compensate for the loss. Obstructions by public renovation work in close proximity that may occur in connection with the construction of a second S-Bahn tube that was started in 2017 also count as accessibility risks.

2. Sector risks

Online competition risks (class B)
Possible additional online vendors in the same sector can entail the risk of exacerbated competition in the segments in which LUDWIG BECK is operating. A broader range of online vendors could create a situation of multiple choices for stationary customers in regard to identical or similar products, due to the rising appeal, higher service quality, and, if nothing else, the enticing pricing of web portals. The Group recognises this risk and is countering it with its own online shop. In its brick-and-mortar stores, the group offers its customers a unique shopping experience with its second-to-none product presentation.

Risks through consumer behaviour (class C)
Altered consumer behaviour or a changing competitive situation in retail, triggered by the general economic situation, commercial framework conditions, and income trends, require constant realignment of marketing concepts to meet the needs of customers in terms of product selection and service.

Corporate policy orientation is based on targeted market observation and analysis of the competitive situation, trends in consumer behaviour, as well as particular behavioural patterns of the relevant target groups. As a vendor of an exclusive product portfolio, LUDWIG BECK is a trendsetter and forerunner with the ability to influence the shopping behaviour of the target group to its own benefits.

With precise positioning and strategy, LUDWIG BECK uses all opportunities resulting from this permanently changing market. High-quality service and depth of product ranges allow the company to benefit from niches in the specialist store segment.

Seasonality risks (class C)
Goods purchased much earlier than seasonal and sales peaks occur causes outflows of cash at times during which there are not necessarily corresponding sale revenue/inflows of liquid funds. These cash flow fluctuation risks are monitored and controlled through financial management using a variety of cash management tools.

3. Economic performance risks

Supplier risks (class C)
As a textiles retail company, LUDWIG BECK is dependent on reliable external suppliers. This causes various risk factors, such as disruptions in the procurement of goods, breaches of quality, safety, and social standards, ethical doubts, or environmental abuse. LUDWIG BECK carefully selects its suppliers to ensure the products desired by the customer are high quality and in sufficient quantity. This is continuously checked. Due to a large number of cooperatives in place, there is no dependency on a single partner.

Logistics risks (class B)
Any interruption of the chain of value creation at the level of product supply directly impacts the availability of products offered by LUDWIG BECK. The broad spectrum of the product selection is vulnerable to risks that may threaten inventory as a whole. This holds true for the brick-and-mortar business as well as the online shop. For this reason, LUDWIG BECK diligently observes existing supply structures and takes corrective action if necessary.

4. Financial risks

Financial risks (Class B)
As a result of the European sovereign debt crisis, industry and trade may also face currently unforeseeable difficulties and restrictions in bank lending in the future. In case of further exacerbation, this could lead to liquidity constraints as the banking sector is already under pressure. The financial effects of the COVID-19 pandemic and the European Central Bank's low interest rate policy in combination with rising inflation are also unforeseeable and must be considered a risk.

The LUDWIG BECK Group operates a central financial risk management system to identify, measure, and control financial risks. A financial resources balancing system between the various businesses in the Group means short-term excess liquidity from individual Group companies can be used to finance cash requirements of other Group companies. This internal clearing system helps reduce the amount of external finance required and optimize cash deposits, positively affecting the interest result of the individual companies and the Group as a whole.

LUDWIG BECK’s open and up-to-date information policy and equal treatment of all lenders is the basis for the trust creditors have in the company and their willingness to provide credit lines. To minimize concentration risks, credit volume is distributed among several lenders. The company’s solid equity position, its current cash flows, and available bank loans form the basis for the company’s long-term financing. Interest risks are controlled through the mix of loan periods and fixed and variable interest positions. To secure future capital requirements, financial management also regularly reviews alternative financing opportunities.

Bad debt risk (class C)
Currently, the Group is exposed to the risk of bad debt to a relatively limited extent. The credit card providers mainly bear the risks resulting from credit card payments. The monitoring of EC-card payments is outsourced to an external service provider. Risks in cash payment transactions are low due to implemented control mechanisms.

Liquidity risk (class C)
Liquidity risk is the result of insufficient available funds to meet financial obligations in due time. LUDWIG BECK has such obligations, particularly for the repayment of financial liabilities. The LUDWIG BECK Group constantly monitors and plans its liquidity. The Group companies regularly have liquid funds available to meet their current payment obligations. Furthermore, short-term lines of credit and overdraft facilities can be called upon. These are based on solid financing. The Group has a strong operative cash flow, considerable liquid funds, and unutilised lines of credit. Because of the effects of the COVID-19 pandemic, operating cash flow was considerably negatively affected. To cushion the negative consequences of the pandemic and to secure liquidity, LUDWIG BECK AG secured a medium-term LfA loan in the fiscal year. Forward-looking liquidity planning ensures LUDWIG BECK is always solvent.

5. Other risks

IT risks (class B)
IT risks mainly concern the requirement of no-fail availability of cash register and computer systems, including the necessary IT network, as well as the integrity of data in connection with potential external attacks on IT systems. The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services. Effective IT management ensures the company’s IT systems are permanently available and measures to protect the system from external attacks are taken. Due to the growing importance of this area, management has signed a cyber insurance contract to protect the Group in case of an emergency.

Personnel risks (class B)
Employees are one of the most decisive factors of success. Alongside the creation of a positive work environment, our human resources activities focus on providing training and advanced training measures and developing junior managers. LUDWIG BECK remains a sought-after employer despite the pandemic. The constant expansion of company health management (BGM) is also a focus. For example, two vaccination campaigns were organised for employees in the past fiscal year. The development of staff, in combination with the application of our management principles, flexible working time models, and the possibility to work from home for employees with corresponding work areas is intended to reduce the risk of personnel fluctuations and ensure the high standard of qualification and service orientation of our employees. Nevertheless, LUDWIG BECK, like all market participants, is confronted with the shortage of staff on the labour market and actively counters this trend in its recruiting.

Legal and tax risks (class C)
LUDWIG BECK is exposed to legal and tax risks through possible breaches of legal provisions. Therefore, monitoring of the current legal position, along with upcoming legislative amendments, is kept within the focus of the companies. Involvement of external advisors helps minimise this risk and regularly make necessary adjustments to the everchanging legal environment.

To the best of the company's knowledge, it is not currently facing, nor expecting, legal proceedings or arbitration that might have an impact on the economic situation of LUDWIG BECK. As a result, no impact on business development is expected.

The company has sufficient insurance coverage for risks from damages and liability claims where requirements and conditions are subject to continual assessment both internally and externally.

Compliance risks (class C)
For an internationally active business, complying with a multitude of legal systems and regulations requires a high degree of attention and the integrity of employees in every position. Compliance risks can result from corruption when dealing with authorities, breaches of data protection rules, or non-observance of labour laws. In order to rule out infringements, LUDWIG BECK thoroughly educates their staff and ensures vigilant compliance awareness. To support and minimise risks, LUDWIG BECK has additionally appointed an external compliance officer.

6. Overall risk evaluation

Presently, the management of LUDWIG BECK considers the aforementioned risks to be generally controllable. Apart from the risk of a lasting pandemic situation, no risks can be identified that could endanger the continued existence of the company.

There are still a multitude of opportunities that the Executive Board will seize to promote growth and earnings. Among these is not least the property owned by the Group at Munich's Marienplatz, one of the most sought-after sales locations in Europe.

LUDWIG BECK bears all entrepreneurial risks concerning the company's core and supporting processes but only if they are controllable and the required effort contributes to the Group's increase in value. This category includes strategic models, decisions about new areas of enterprise, or the purchasing and selling of products. Apart from this, LUDWIG BECK does not take risks.

Should the COVID-19 pandemic continue with further restrictions and even another lockdown in 2022, LUDWIG BECK could find itself in a situation that could endanger the substance of the company.

The impact of the war in Ukraine is still hard to assess. Besides the absence of tourists from Russia, Ukraine, and other countries, there could also be a general consumer reluctance due to the uncertain situation. In addition, rising energy and raw material prices will likely adversely affect the earnings situation.

OPPORTUNITIES REPORT

The new fiscal year offers LUDWIG BECK opportunities for successful business development. Assuming the pandemic can be controlled by vaccinations in the course of the year and no additional lockdown is to be expected, LUDWIG BECK will generate considerably more sales opportunities than in the past two years. Moreover, with a rise in tourism and a normal Wiesn and Christmas business, significantly higher earnings could be achieved. The property owned by the Group at Munich's Marienplatz, one of the most sought-after sales locations in Europe, offers excellent conditions for generating higher sales again.

Furthermore, LUDWIG BECK will continue to expand its online offer, especially in the Fashion Online segment. Growth will be driven, among other things, by a high spending propensity of consumers. Opportunities arise from the permanent optimisation of service competence and a strong focus on assortments, brands, and co-operations. The magical shopping experience in the "Store of the Senses" is based on a unique sales atmosphere that is unmatched by stationary and virtual competition in Germany. LUDWIG BECK's customer loyalty programme, launched in 2020, also offers opportunities. The LUDWIG BECK

Card can significantly strengthen, broaden, and increase customer loyalty. Customers benefit from individual and attractive offerings. This increases the spending propensity of LUDWIG BECK Card holders.

Customers are increasingly interested in the origin and type of goods production. LUDWIG BECK is part of this development and takes social responsibility as is observed from the outside. Sustainability is a particularly important factor. In addition to various employee-related measures, the improvement of energy efficiency, and a conscientious use of packaging materials, the procurement of fashion products is of key importance for sustainability.

For example, LUDWIG BECK sells products that are labelled "zum fairlieben" (to love fairly). These products are characterised by special fairness towards the environment, people, and animals. Raw materials from organic cultivation or recyclable materials are used for production. The products are produced with low emissions, socially responsible, and in compliance with animal welfare standards. LUDWIG BECK puts great emphasis on products manufactured according to controllable social and ecological standards in the entire production chain. There is now a large number of certificates that ensure these standards are subject to permanent inspection and control. Among these certificates is the BSCI - Business Social Compliance Initiative – trade association amfori. BSCI is committed to worldwide improvement of working conditions in global supply chains in compliance with all applicable laws and regulations. Another certificate is the BCI – Better Cotton Initiative - a non-profit initiative of environmental and human rights organisations and companies in the textile industry. The aim of this certificate is to ensure 30% of global cotton production is sourced from sustainable sources. LUDWIG BECK is placing increasing emphasis on certified producers.

Responsible action is always sustainable action. In times of industry-wide cut-throat competition, the perception of sustainability within the organisation towards customers and society is both a task and an opportunity for a modern company in the fashion trade industry to strengthen its market position.

However, these opportunities could be dampened by the effects of the war in Ukraine and the resulting absence of tourists from Eastern Europe and Asia, as well as by a general consumption reluctance.

IV. Internal Control and Risk Management System

LUDWIG BECK has established a system of internal controls to secure proper accounting in compliance with legal requirements. LUDWIG BECK’s accounting procedures are governed by standardized guidelines and rules, as well as a clearly defined course of action. To this effect, uniform accounting parameters and booking directions for various business transactions were established. Another control tool is the clear allocation of functions regarding various accounting processes. Accounting relevant items are mainly recorded on an automated basis.

For Group accounting purposes, all bookkeeping data of the consolidated companies can be assessed. To survey compliance with applicable rules, LUDWIG BECK relies on process-integrated monitoring systems. LUDWIG BECK divided these systems into ongoing automated control mechanisms, like separation of functions and restricted access to certain sets of books for unauthorized personnel, and controls integrated into work processes that are secured through automated bookings, permanently stored codes, automated booking procedures and the recording of the entire sales process (cash register systems).

The accounting-related risk management system of LUDWIG BECK is set up in a way that the risks of misrepresentation, which mainly ensue from new business processes or amendments to legal provisions, are constantly monitored. These risks are contained by transferring decisions on accounting-related data resulting from unusual business transactions to the management level. Ongoing training regarding changes to the applicable accounting provisions is provided to management. External providers carry out up-to-date training in the basic principles set out in the literature. In case of doubt, external consultants are called in to implement changes and integrate them into existing processes.

V. Forecast Report

GLOBAL ECONOMY, GERMAN ECONOMY, AND LUDWIG BECK STILL UNDER UNCERTAIN CONDITIONS

An assessment of further economic development is difficult due to the ongoing COVID-19 pandemic with continuing imponderable infection patterns and its consequences for the global economy. Experts at the European Central Bank (ECB) are still assuming inflation and inflation will continue to rise. Due to higher energy prices, supply bottlenecks, and base effects, financial markets are worried about a central bank raising interest rates prematurely in order to curb rising prices. As supply chain disruptions continue and, according to experts, will not dissipate quickly, inflation is expected to persist and rise throughout 2022. Only when supply and demand normalise, inflation will level off, according to the ECB. In addition, it must be monitored to what extent the Chinese economy – alongside the USA – will continue to be a growth engine for the global economy and how the conflict between the Western states, Russia, and Ukraine and the resulting consequences for the global and German economy will develop.

Cut-throat competition from online trading will continue to mount in the new business year, not least due to the uncertain development of the COVID-19 pandemic and will accelerate the upheaval in the industry. The management of LUDWIG BECK has recognised the signs and has continued to invest in the online sector in recent years. These investments have borne fruit in the sales development of the online shop in fiscal year 2021. In addition to the expansion of this second sales pillar, LUDWIG BECK continues to focus on exceptional service quality and consulting strength of the brick-and-mortar flagship store at Marienplatz and attracts all interested fashionists to the LUDWIG BECK brand with its exclusive product mix. Management expects the COVID-19 situation to ease considerably as vaccination progresses.

Assuming a more normal course of business, Oktoberfest taking place, and non-restricted Christmas business with Christmas markets like before the pandemic, LUDWIG BECK expects gross sales of between € 85m and € 88m and slightly positive earnings before taxes (EBT) in fiscal year 2022.

However, a prerequisite for this forecast is that there are no further restrictions in the city centres, such as lockdowns, 2G regulations, curfews hours, or access restrictions. In case of renewed restrictions, it would be difficult to estimate the extent to which the sales and earnings situation of LUDWIG BECK would be negatively affected.

An additional uncertainty are the currently undeterminable economic consequences of the war in Ukraine.

VI. Supplementary Details

1. DETAILS ACCORDING TO SECTION 315A PAR. 1 COMMERCIAL CODE (HGB)

Composition of subscribed capital

The subscribed capital (share capital) of LUDWIG BECK is divided into 3.695.000 no-par shares (ordinary shares). The no-par shares are issued to bearer. The nominal value of each capital share is € 2.56 per no-par share. Direct and indirect capital holdings that represent more than ten in a hundred of the voting rights are listed below.

Direct and indirect holdings

The listed companies and individuals directly or indirectly hold more than ten in a hundred of the voting rights at LUDWIG BECK at the time of the preparation of the annual financial statements:

- Christian Rudolf Greiner Verwaltungs GmbH, Reichenschwand, 25.69% (direct)
- Mr Christian Greiner, Germany, 26.13% (direct and indirect)
- INTRO-Verwaltungs GmbH, Reichenschwand, 25.19% (direct)
- Mr Hans Rudolf Wöhrl, Germany, 25.19% (indirect)
- BG Heppenheim Grundstücks GmbH, Grasbrunn, 24.00% (direct)
- Mr Alfons Doblinger, Germany, 24.38% (direct and indirect)

Legal provisions and terms of the articles of association concerning the appointment and removal of members of the Executive Board as well as amendments to the articles of association

According to the Articles of Association and the relevant legal provisions, members of the Executive Board are appointed and dismissed by the Supervisory Board. The number of members is determined by the Supervisory Board. According to the resolution of the Annual General Meeting of June 3, 2019, the Executive Board consists of at least one person. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting (Section 179 Par. 1 Joint Stock Corporation Act (AktG)).

According to Section 16, Par. 3 of the Articles of Association, the resolution of the Annual General Meeting requires a simple majority of the votes cast or, as the case may be, in addition, a simple majority of the represented share capital, unless a more substantial majority or further prerequisites are stipulated by law or the Articles of Association. This is the case for resolutions on changes to the nature and purpose of the business or capital measures excluding shareholders' subscription rights. According to Section 12 Par. 2 of the Articles of Association, the Supervisory Board is authorized to implement changes to the Articles of Association that only concern the wording.

Further details according to Section 315a Par. 1 Commercial Code (HGB)

Since the provisions of Section 315a Par. 14 No. 2, No. 4, No. 5, No. 8, and No. 9 Commercial Code (HGB) do not apply, no details have to be provided.

2. DETAILS ACCORDING TO SECTION 312 JOINT STOCK CORPORATION ACT (AktG) (DEPENDENCY REPORT)

Mr Hans Rudolf Wöhrl was to be classified as a controlling company within the meaning of the German Stock Corporation Act until August 16, 2021. Since August 16, 2021, there is no longer a shareholder with whom a relationship of dependency would exist. Since no control agreement had been concluded with the principal shareholder until August 16, 2021, the Executive Board of LUDWIG BECK was obligated to prepare a report about relations to associated companies pursuant to Section 312 Par. 3 Joint Stock Corporation Act (AktG). The Dependency Report covering the period from January 1 to August 16, 2021, contains the following conclusive statement:

„According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable compensation in each individual case and did not suffer any disadvantage as a result of measures taken or not taken."

3. CONSOLIDATED DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 315D COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance, according to § 289f HGB and § 315d HGB, has been made publicly available on the company's website in the section Corporate Governance under the menu item Declaration on Corporate Governance.

Munich, February 28, 2022

The Executive Board

Christian Greiner Jens Schott

4 Additional *Information*

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Corporate Affidavit

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit and loss situation of the Group. The Consolidated Management Report 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."

Munich, February 28, 2022

Christian Greiner Jens Schott

Independent Auditor's Report

To LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

AUDITOR'S OPINIONS

We have audited the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft and its subsidiaries (the Group) – comprising the Consolidated Balance Sheet as per December 31, 2021, the Consolidated Statement of Comprehensive Income, the Consolidated Equity Statement and the Consolidated Cash Flow Statement for the Fiscal Year from January 1 to December 31, 2021 together with the Consolidated Notes, including a summary of significant accounting methods. Furthermore, we have audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2021.

According to our assessment based on the findings of our audit

- the attached Consolidated Financial Statements comply with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and, with due regard to these provisions, give a true and fair view of the assets and financial situation of the Group as per December 31, 2021 and the Group's earnings position for the Fiscal Year from January 1 to December 31, 2021 and
- the attached Consolidated Management Report, as a whole, provides a suitable view of the Group's position. The Consolidated Management Report is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and accurately represents the opportunities and risks of future development.

In accordance with section 322 par. 3, sentence 1 Commercial Code (HGB) we declare that our audit has not revealed any grounds for objections against the regularity of the Consolidated Financial Statements or the Consolidated Management Report.

GROUNDS FOR OUR AUDIT OPINIONS

We conducted our audit of the Consolidated Financial Statements and the Consolidated Management Report pursuant to section 317 Commercial Code (HGB) and the EU Audit Regulations (No. 537/2014; hereinafter referred to as "EU AudReg") and with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these provisions and principles is set out in more detail in the "Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report" section of our Auditor's Report. We are independent of the Group companies within the meaning of European and German provisions of commercial and professional law and have complied with our other professional duties under German law and the foregoing requirements. Furthermore, we declare in accordance with article 10 par. 2 lit. f) EU AudReg that we didn't render any prohibited non-audit services according to article 5 par. 1 EU AudReg. We believe that the audit evidence obtained forms a sufficient and appropriate basis for our audit opinions on the Consolidated Financial Statements and the Consolidated Management Report.

PARTICULARLY SIGNIFICANT FACTUAL MATTERS RELEVANT FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly significant factual matters relevant to the audit are factual matters that, at our reasonable discretion, have been the most important ones for the audit of the Consolidated Financial Statements for the Fiscal Year from January 1 to December 31, 2021. These factual matters were taken into consideration in connection with our audit of the overall Consolidated Financial Statements and the formation of our relevant audit opinion. We do not provide any separate opinion on these factual matters.

Revenue Recognition

Reasons for consideration as particularly significant factual matter: In accordance with IDW PS 261 Tz 67, the auditor must always anticipate that risks of material misstatements may lie in the realisation of sales and that these risks must be treated as significant risks.

Audit approach: Within the scope of our audit, we have assessed the design of the accounting-related internal controls in the area of sales/revenue from sales of goods and examined their effectiveness on a test basis. In particular, we have examined the interface between the cash register system and the financial accounting system and have understood the system for recording incoming payments and their reconciliation with the sales of goods. Furthermore, we reviewed the sales revenue accounts for possible manual sales revenue postings.

Due to LUDWIG BECK's business model, which involves the sale of merchandise against cash or card payment via a POS system connected to the financial accounting system, and the internal processes and controls established in the area of sales/revenue of goods, we do not consider the risk of material misstatement of revenue recognition to be significant after our audit. Our audit did not give rise to any objections with regard to revenue recognition.

Reference to pertinent information: The revenue recognition principles applied by LUDWIG BECK are described in the Notes to the Consolidated Financial Statements in section B. IV. 13. "Accounting principles and valuation methods - Revenue recognition". The internal control system is explained in section IV. "Internal Control and Risk Management System" of the Consolidated Management Report.

Valuation of merchandise

Reasons for consideration as particularly significant factual matter: Merchandise is reported at cost less deductions for old stock and goods of reduced saleability (fashion risk) as well as granted discounts. Furthermore, as of December 31, 2021, a special discount was applied – as in the previous year - to goods from the current season, as the remaining stocks could not or likely cannot be sold as planned due to the ongoing COVID-19-pandemic. In our view, this valuation approach qualifies as particularly significant, audit-relevant factual matter, as the determination of the relevant deductions requires discretionary decisions, estimations and assumption in regard to the price reductions that will actually be granted on inventories in the following year, as well as of the selling costs that will be incurred until the sale of the goods.

Audit approach: Within the scope of our audit we assessed the structuring of the accounting-related internal control system in the merchandise management area and valued its efficiency by random checking. Building on that, we retraced the deductions made using risk-oriented, selected samples for retrograde valuation. Furthermore, we reviewed the deductions for plausibility on the basis of the price reductions granted in the time after the reporting date. We also checked the plausibility of the assumptions underlying the special discount. In addition, we have checked the plausibility of the special discounts made in the previous year with the realised sales in 2021 in order to validate the estimation methods used.

Our audit activities did not give rise to any objections regarding the valuation of merchandise.

Reference to pertinent information: As regards the accounting principles applied by LUDWIG BECK to the reporting of merchandise we refer to "Accounting and valuation methods – inventories" in chapter B. IV. 6., and to "Explanations to individual items of the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – inventories" in chapter C. I. (3) of the Consolidated Notes.

OTHER INFORMATION

The legal representatives are responsible for the following other information we expect to be submitted to us after the date of our Auditor's Report:

- Group Statement on Corporate Governance pursuant section 315d par. 1 Commercial Code (HGB); LUDWIG BECK prepares a combined Declaration and Group Declaration on Corporate Governance, that according to section 315d sentence 2 together with section 289f par. 1 sentence 2 Commercial Code (HGB) will be published on the corporate website,
- Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code,
- Declaration according to sections 297 par. 2, sentence 4 and 315 par. 1, sentence 5 Commercial Code (HGB) and
- The remaining parts of the Annual Report for the Fiscal Year 2021 with the exception of the audited Consolidated Financial Statements, the Consolidated Management Report and our pertinent Auditor's Report.

The Supervisory Board is responsible for the following information we expect to be provided to us after the date of this Auditor's Report:

- Supervisory Board's Report.

Our audit opinions regarding the Consolidated Financial Statements and the Consolidated Management Report do not extend to other information. Accordingly, we neither give any audit opinion nor draw any other audit conclusion with regard thereto.

In the context of our audit, it is our responsibility to read the other information and to assess whether the other information

- contains significant inconsistencies regarding the Consolidated Financial Statements, the Consolidated Management Report or our audit findings or
- was otherwise gravely misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the Consolidated Financial Statements in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and for ensuring that, with due regard to these provisions, they convey an accurate and fair picture of the Group's assets, financial and earnings situation. Furthermore, the legal representatives are answerable for the internal controls they consider essential in order to facilitate the preparation of the Consolidated Financial Statements free of significant – intentional or inadvertent – misrepresentations.

With regard to compiling the Consolidated Financial Statements, the legal representatives are also obligated to assess the Group's ability to continue as a going concern. The legal representatives are also requested to present factual matters that are relevant to the continuation as a going concern. Furthermore, it is their responsibility to base their accounting on the accounting principle of going concern unless they intend to liquidate the Group or discontinue operations or have no viable alternative.

The legal representatives are also responsible for ensuring that the Consolidated Management Report prepared by them basically conveys an accurate picture of the Group's situation, is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development. Furthermore, the legal representatives are answerable for all precautions and measures (systems) they consider essential in order to facilitate the preparation of the Consolidated Management Report in compliance with the applicable provisions of German law and to provide sufficient and appropriate evidence for the statements contained in the Consolidated Management Report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process as applied to the preparation of the Consolidated Financial Statements and the Consolidated Management Report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

It is our objective to attain a sufficient level of assurance as to whether the Consolidated Financial Statements as a whole are free of – intentional or inadvertent – misrepresentations and the Consolidated Management Report basically gives an accurate view of the Group’s situation, is consistent with the Consolidated Financial Statements and the audit findings in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development, and to provide an Auditor’s Report that reflects our audit opinions concerning the Consolidated Financial Statements and the Consolidated Management Report.

Sufficient assurance means a high level of assurance, yet no guarantee that an audit carried out in accordance with section 317 Commercial Code (HGB) and EU AudReg, with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect significant misrepresentations. Misrepresentations may result from infringements or inaccuracies. They are considered significant if they can be reasonably expected to influence the economic decisions, individually or generally, taken by the recipients on the basis of these Consolidated Financial Statements and this Consolidated Management Report.

With regard to our audit we exercise due discretion and maintain a critical stance. Furthermore, we

- identify and assess the risks of significant – intentional or inadvertent – misrepresentations in the Consolidated Financial Statements and the Consolidated Management Report, plan and carry out audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinions. The risks of significant misrepresentations remaining undetected is higher in case of infringements than they are in case of inaccuracies, as infringements may include fraudulent collaboration, forgeries, inadvertent incompleteness, misleading representations or circumvention of internal controls.
- gain an understanding of the internal control systems relevant to the audit of the Consolidated Financial Statements and the precautions and measures relevant to the audit of the Consolidated Management Report in order to be able to plan audit actions that are appropriate under the given circumstances while at the same time refraining from giving an audit opinion on the efficiency of the company’s systems.
- evaluate the appropriateness of the accounting processes applied by the legal representatives as well as the tenability of the estimated values and pertinent information provided by the legal representatives.
- draw conclusions on the adequateness of the accounting principle of going concern as applied by the legal representatives, as well as on the question as to whether, based on the audit evidence obtained, there is any significant uncertainty in connection with events or circumstances that give rise to reasonable doubt about the Group’s ability to continue as a going concern. If we arrive at the conclusion that there is a significant uncertainty, we are obligated to draw attention to the pertinent information contained in the Consolidated Financial Statements and the Consolidated Management Report in our Auditor’s Report, or if this information is inappropriate, to qualify our audit opinion. We draw our conclusions based on the audit evidence obtained until the date of our Auditor’s Report. Future events or circumstances may, however, lead to a situation where the Group is no longer able to continue as a going concern.
- assess the overall representation, layout and contents of the Consolidated Financial Statements including pertinent information, and evaluate whether the Consolidated Financial Statements reflect the transactions and events they are based on in a way that the Consolidated Financial Statements convey a fair and accurate picture of the Group’s assets, financial and earnings situation, in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law.
- obtain sufficient and appropriate audit evidence for the companies’ accounting details and intergroup transactions in order to give audit opinions on the Consolidated Financial Statements and the Consolidated Management Report. We are responsible for the derivation, monitoring and performance of the audit of the Consolidated Financial Statements. We have sole responsibility for our audit opinions.
- evaluate the Consolidated Management Report’s consistency with the Consolidated Financial Statements, its legality and the picture of the Group’s situation it conveys.
- perform audit activities with regard to the future-oriented information given by the legal representatives in the Consolidated Management Report. On the basis of sufficient and appropriate audit evidence we particularly retrace the significant assumptions the legal representatives based their future-oriented information on, and evaluate the proper derivation of the future-oriented information from these basic assumptions. We do not give any separate audit opinion on this future-oriented information or these basic assumptions. There is a considerable risk that future events may differ materially from this future-oriented information.

Among other, we discuss with the persons responsible for monitoring about the planned scope of and the time planning for the audit as well as significant audit findings, including possible shortcomings of the internal control system, which we detect in the course of our audit.

We declare vis-à-vis the persons responsible for monitoring that we have complied with the relevant requirements of independence, and explain to them all relations and other circumstances that can reasonably be expected to have an effect on our independence, as well as the safeguards applied with regard thereto.

From all factual matters discussed with the persons responsible for monitoring we select those factual matters that were most significant for the audit of the Consolidated Financial Statements for the current reporting period and therefore qualify as particularly significant factual matters. We relate these factual matters in our auditor's report unless statutory or other legal provisions preclude publication of the relevant data.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE PURSUANT TO SECTION 317 PAR. 3A HGB

Audit opinion

Pursuant to section 317 par. 3a HGB, we have performed an audit with a sufficient level of assurance as to whether the reproductions of the consolidated financial statements and the consolidated management report (hereinafter also referred to as "ESEF documents") contained in the attached file 5299008RI8NGQL3F3J12-2021-12-31-de.zip (hash value SHA256 610EFAE5A935C4A032775B6CDAD1FE5214E70788B7F5FADC0460FFBA16D7AC70) and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 par. 1 HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the consolidated management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the consolidated management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of section 328 par. 1 HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying consolidated management report for the financial year from January 1 to December 31, 2021 contained in the preceding "Report on the audit of the consolidated financial statements and the consolidated management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the consolidated management report contained in the above-mentioned attached file in accordance with section 317 par. 3a HGB and in compliance with the *IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to section 317 par. 3a HGB (IDW PS 410 (10.2021)) [IDW Prüfungsstandards: Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 317 Abs. 3a HGB (IDW PS 410) (10.2021))].* Our responsibility thereunder is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the *IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms (IDW QS 1) [IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].*

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the consolidated management report in accordance with section 328 par. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the Company are responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 par. 1 sentence 4 no. 1 HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited consolidated management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 par. 1 HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material non-compliance with the requirements of section 328 par. 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls;
- assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file;
- assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited consolidated management report;
- assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

OTHER INFORMATION ACCORDING TO ARTICLE 10 EU-APRVO

We were appointed as auditors by the Annual General Meeting held on May 17, 2021. We were engaged by the Supervisory Board on December 16, 2021. We have acted as auditors for the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft, Munich, since the Fiscal Year 2009 without interruptions.

We declare that the audit opinions contained in our Auditor’s Report are consistent with the Supplementary Report to the Supervisory Board pursuant to article 11 EU AudReg (Auditor’s Report).

We have not performed any services, other than those disclosed in the consolidated financial statements or the group management report of the audited entity, in addition to the audit of the financial statements of the audited entity or the entities controlled by it.

OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report and the audited ESEF documentation. The consolidated financial statements and the group management report converted into the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The responsible auditor for this audit is Mr. Peter Häussermann.

Munich, March 23, 2022

BTU TREUHAND GmbH

Wirtschaftsprüfungsgesellschaft

Clemens Dornseifer	Peter Häussermann
Public Auditor	Public Auditor

Financial Calendar

Publication of the Annual Report 2021	**March 31, 2022**
Analyst Conference for the Annual Report 2021 (virtual. Munich)	**April 1, 2022**
Interim Notification for the First Quarter 2022	**April 21, 2022**
Annual Shareholders' Meeting 2022 (virtual. Munich)	**May 31, 2022**
Interim Report for the Second Quarter and the First Half 2022	**July 21, 2022**
Interim Notification for the Third Quarter 2022 and the Nine Months 2022	**October 20, 2022**

Imprint & Contact

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You can find more information about LUDWIG BECK at kaufhaus.ludwigbeck.de.
You can also subscribe to our financial newsletter there, so you are always up to date in a timely and comprehensive manner!