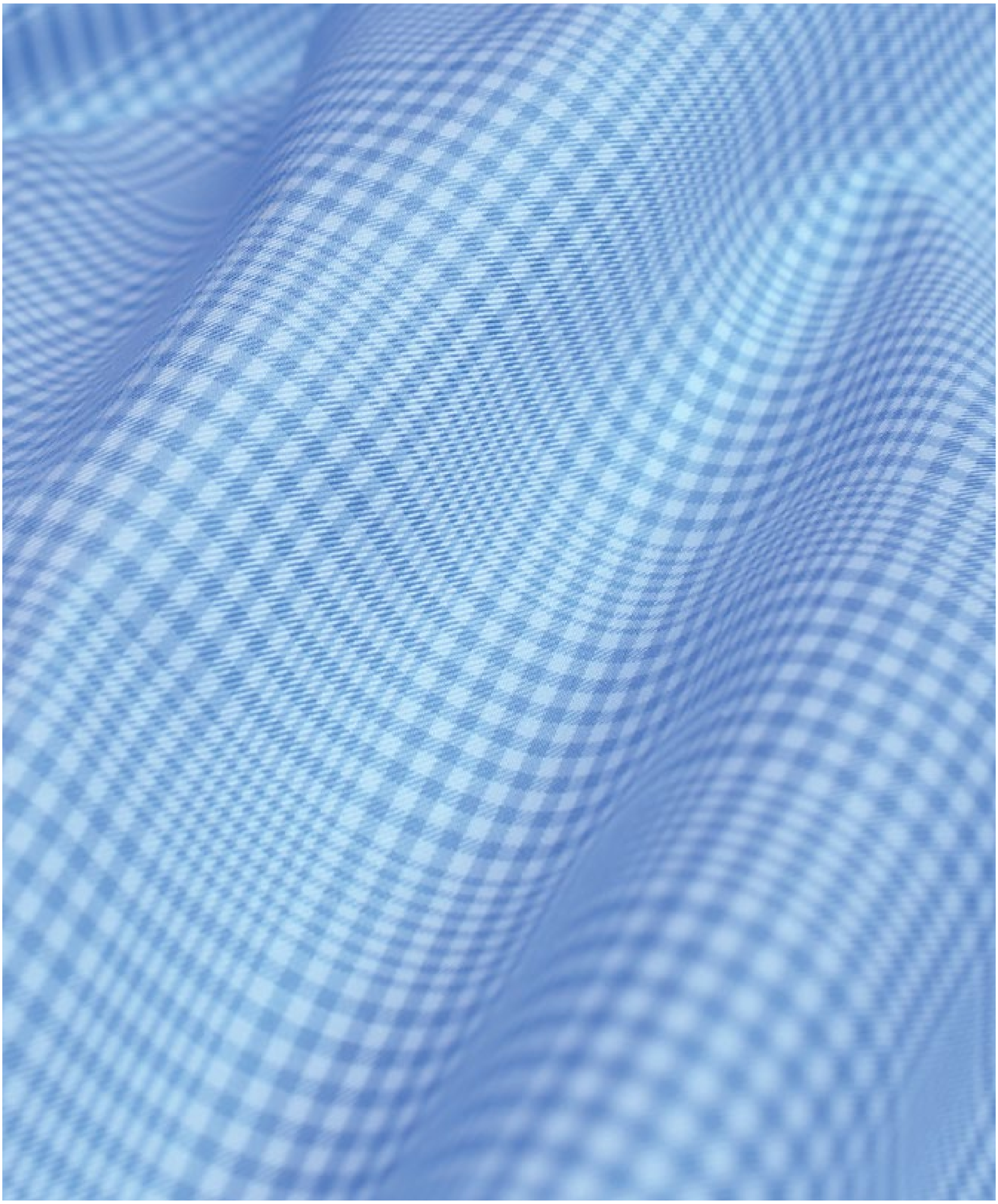


ANNUAL REPORT
2013

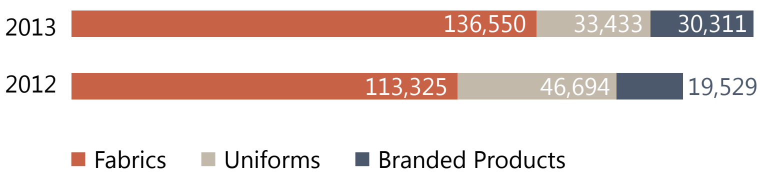
Firstextile

KEY FINANCIAL INFORMATION AT A GLANCE

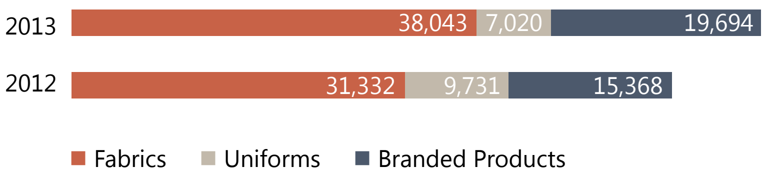
EUR m	FY 2013	FY 2012	Change
Overview of key figures			
Revenue	200.3	179.5	+11.6%
Gross Profit	64.8	56.4	+14.8%
EBIT	41.6	40.1	+3.9%
EBIT margin	20.8%	22.3%	-1.5 pp
Net Profit	32.9	32.5	+1.2%
EPS (in EUR)	2.79[1]	3.17[2]	-12.1%
At the end of the reporting period			
Total assets	185.3	142.3	+30.2%
Equity	126.2	95.5	+32.2%
Equity ratio	68.1%	67.1%	+1.0 pp
Financial debt	30.7	29.4	+4.2%
Liquid funds	72.0	49.5	+45.3%

[1] On the basis of a time-weighted average number of 11,800,000 ordinary shares
[2] On the basis of a time-weighted average number of 10,256,000 ordinary shares

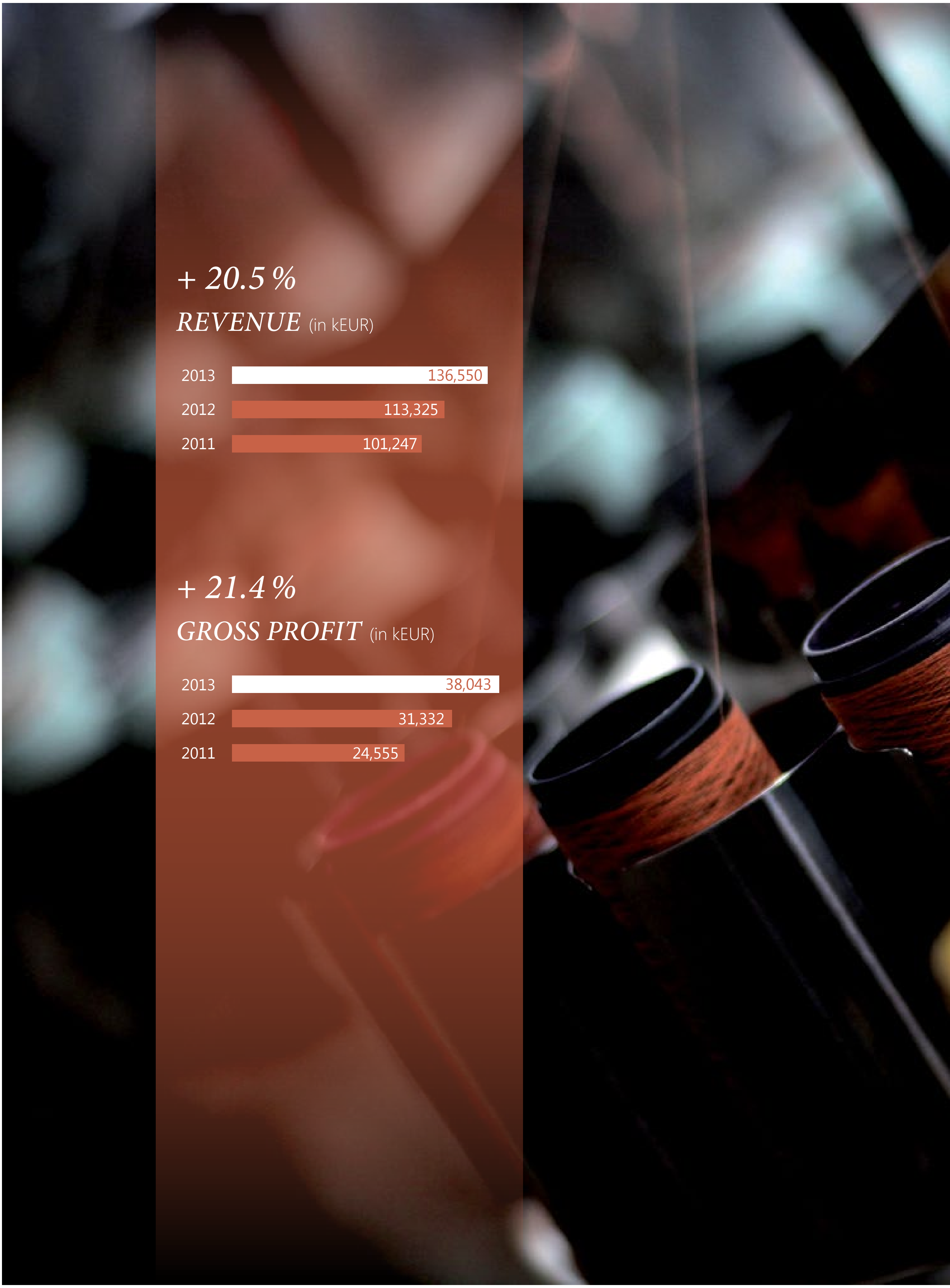
REVENUE BY SEGMENT
kEUR



GROSS PROFIT PER SEGMENT
kEUR



CONTENT


+ 20.5 %
REVENUE (in kEUR)
2013
136,550
2012
113,325
2011
101,247
+ 21.4 %
GROSS PROFIT (in kEUR)
2013
38,043
2012
31,332
2011
24,555

FABRICS

In our largest business segment in terms of revenue we concentrate on the fast growing premium segment of high-end fabrics in China.

We spare no efforts to keep the exceptionally high standard of quality of our fabrics. Whether anti-static, bacteriostatic, ultraviolet resistant, flame retarding or particularly skin-compatible – our fabrics are innovative and multi-functional.

Beside the quality of our products, increasing efficiency in our production process is also a top priority. Our sustainable commitment to research and development activities together with research scientists of the prestigious Jiangnan University always keeps us on the competitive edge in the industry.

This commitment to excellent quality we live in our work every day - and makes us one of the leading producers of high-end fabrics in China.


-28.4 %
REVENUE (in kEUR)
2013 33,433
2012 46,694
2011 17,903
-27.9 %
GROSS PROFIT (in kEUR)
2013 7,020
2012 9,731
2011 5,669

UNIFORMS

Launched in early 2011, the Uniforms segment offers uniform shirts and suits state-owned enterprises and government institutions.

Products in the Uniforms segment are distributed via bidding process. Currently we are nominated as a short-listed supplier for 20 government institutions and state-owned enterprises. Customers focus in this segment lies on product quality, functionality and price as well as the reputation and reliability of a uniform manufacturer.

Firstextile as a well-managed high-tech company focusing on premium quality is very well positioned in this market. This is an excellent basis for sustainable growth in future.

+ 55.2 %

REVENUE (in kEUR)

2013	30,311
2012	19,529
2011	12,591

+ 28.1 %

GROSS PROFIT (in kEUR)

2013	19,694
2012	15,368
2011	10,522

BRANDED PRODUCTS

In our most profitable segment, our premium men's shirts that are made from pure cotton easily meet the topmost quality demands of our customers in the luxury segment. In mid 2013, we repositioned "VARPUM". As a result, "VARPUM" has been relaunched and separated from "Firstextile" as full range premium menswear brand for retail only, while products under the brand "Firstexile" are offered to wholesale customers.

Today our product portfolio includes our own branded shirts and other high-end fashion items. Thereby we focus on offering customers our fashion in exclusive stores within China.

"VARPUM" and "Firstextile" – our brands stand for high-end premium fashion "Made in China".

VARPUM

VARPUM is our full range premium menswear brand focusing on high-end men shirts and additional fashion items. Our product portfolio also includes additional branded products such as suits, jackets, trousers, sweater, shirts, shoes and other accessories.

In the very fast growing market for premium fashion in China VARPUM will seize the opportunity to stand among the leading menswear brands in a midterm. Therefore we will further expand our sales channel by opening new retail stores in selected cities within China.

Our vision: Establishing VARPUM as one of the most sought-after Chinese fashion brands

TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The financial year 2013 was in many ways a successful year for us. In a positive market environment, we have exploited our opportunities and successfully expanded our business activities. As one of the leading producers of high-end fabrics in China, we have sold in the past year more than 34 million meters of fabric, supplied almost 800,000 Uniform shirts and suits to state enterprises and institutions and sold around 300,000 premium men's shirts and other fashion items in our branded stores. Today we are proud to announce that we succeeded for the first time in our company's history, to top the 200 million euro revenue mark.

Key to this success is our well-structured business model in different sectors of the textile industry. With a strategic focus on the three segments Fabrics, Uniforms and Branded Products, we have the necessary entrepreneurial flexibility to efficiently utilize our capacity in line with demand in each area. Accordingly, in the 2013 financial year we were able to utilize free capacities from the Uniforms seg-ment in the high-margin segments Fabrics and Branded Products. Consequently, the significant revenue growth in both segments – 20.5 % in the Fabrics segment and 55.2 % in Branded Products respectively – resulted in an increased gross profit margin of 32.2 % after 31.4 % in 2012 fiscal year. The profitability of our business model is also reflected in the remaining strong EBIT margin of 20.8 %. As a result, we generated in fiscal year 2013 a net profit of 32.9 million euro.

We did not only exploit our chances consistently, but have also provided the sustainable foundation for further growth. In the attractive textile market of China, our specific postioning in the market and the stability of our well structured business model consisting of three segments, ensures us an excellent foundation for sustained profitable growth. In order to better seize the opportunities that presented to us, we have identified four strategic elements: expansion of production capacity, expansion of business activities in the segments Uniforms and Branded Products as well as sustainable growth through a compelling product quality guaranteed by the ongoing investment in R&D.

Currently the growth of Firstextile is largely limited by our production capacity. In the first half of 2013 we have accordingly started with the construction of a new production facility. With the expected completion of the new factory at the end of 2014, we will double our capacity in all areas and thus create the conditions for further growth in the coming years, not only in Fabrics segment, but also in the segments of Uniforms and Branded Products.

As a reliable supplier of high quality uniforms, we are very well positioned in state-owned enterprises and government institutions. We are convinced that in Uniforms segment we will further strengthen our position in the future and the revenue can sustainably be expanded. And also in the segment Branded Products, we intend to continue intensifying our business activities under the leadership of our new Marketing Director Wei Chen. We want to take advantage of the high demand for exclusive fashion such as high-end men's shirts or other fashion items, and thereby increase the share of our most profitable segment accordingly. Our goal is to establish our brand "VARPUM" as one of the most sought-after Chinese fashion brands in China.

Hao Cao Xinxin Wang Guofeng Yang Yingjun Fu

Staying in the relatively healthy but still challenging economic environment of China, we expect our total revenues for the financial year 2014 between 190 million euro and 210 million euro and an EBIT margin of between 16% and 18%.

Finally, on behalf of the entire Management Board, I would like to thank our shareholders for the trust they have placed in Firstextile AG and hope that they will continue to accompany us in our further growth.

Guofeng Yang

Chief Executive Officer

MANAGEMENT INTERVIEW

Ms. Wang, Mr. Cao : Firstextile is already listed in the Prime Standard segment of the Frankfurt Stock Exchange for more than one year. What is your resumee? And what can shareholders expect in 2014?

Hao Cao: The IPO was an important step in our company's history. Due to the listing and the strict compliance with the extremly high transparency standards in the Prime Standard, we have increased our visibility and reputation on existing and potential private and public customers. At the same time we have opened our company to investors worldwide and sustainably diversified our financing. This helps to take further advantage of the forecasted growth in the textile industry's relevant market segments in near future and to create an additional value for our shareholders. Thereby the positive business trend in 2013 has impressively confirmed that we are on the right track. We believe that we will be able continuing our sustainable business development in 2014 with total revenue at a comparable level like 2013 even though facing some macro-economical and sectoral challenges.

Xinxin Wang: Following our successful IPO at the Frankfurt Stock Exchange on 12 November 2012, our share performance has always been close to the issue price. On 31 March 2014, the share price closed on issue price level of exactly EUR 10.00. I think that is due to the constant string of negative news about several Chinese companies listed in Germany there is basicly a very difficult market environment for Chinese companies with invesors feeling discouraged and losing confidence. Thus our share was certainly burdened. In the medium-term, however, I am convinced that our company's sustainably positive development will also be reflected in Firstextile's share price. We understand that this process takes time, and we take the reporting and audit principles very seriously, to avoid any delays or issues to arise, therefore we want to continue to deliver, which should also set us apart from other listed Chinese companies.

You have addressed the positive business in 2013: Which factors did contribute to this trend?

Hao Cao: Of course, we are glad that we were able to achieve the highest revenue in our corporate history in 2013 with more than EUR 200 million. The growth was driven by our Fabrics segment and the segment of Branded Products. In our core business Fabrics revenue increased by 20.5% to EUR 136.6 million due to a higher average selling price as well as an increase in the volume. In our most profitable business segment of Branded Products with the premium brands "VARPUM" and "Firstextile", we could even double the revenue to EUR 30.3 million. Thus we have more than com-pensated the revenue decline in the Uniforms segment. As a result of the increased revenue share of the segments Fabrics and Branded Products, the gross profit margin of the company increased to 32.3% in 2013. In the same period Firstextile achieved an EBIT margin of almost 21%. Both underline the profitability of our business model.

Xinxin Wang: The development of the business segments Fabrics and Branded Products reflect the continuing high demand for premium fabrics and premium men's fashion in China. We were able to consequently capatalize the opportunities open to us. An important step in this context was the relaunch of our brand "VARPUM". The fact that we were able to more than offset the decline in the Uniforms segment, demonstrates the flexibility and stability of our business model. This are excellent conditions for sustained profitable growth.

Through which measures do you want to continue the growth trend in the coming years?

Xinxin Wang: The biggest growth obstacle is currently our production capacity. In the past financial year 2013, we still worked close to full utilization. In view of the growing market conditions in all three segments, we correspondingly started the construction of a new production facility in April 2013. After its careful planning and implementation the plant will begin operation at the end of 2014. Thereby we will double our after-finishing capacity to 72 million meters, increase our weaving capacity from 11 million metres to 27 million meters and the dyeing capacity from 7,900 tons to 15,800 tons in order to realize further growth. Since we focus on sustainable and efficient production of high-quality fabrics, research and development plays an important role. Consequently we have been keeping an intensive cooperation with the Jiangnan University for years and doubled our expenditures on R&D in 2013. We expect that the continuous innovation in the areas of functional fabrics, patterns and production processes will further lead to crucial competitive advantages in the future. In addition, we see excellent growth opportunities in the areas of Branded Products and Uniforms.

Firstextile has focused almost exclusively on the Chinese domestic market so far. When are you going to conquer the markets outside of China?

Xinxin Wang: Our focus will remain on the Chinese domestic market, where we still recognize huge growth potential for our company. Firstextile is one of the leading manufacturers in the booming market for high-end yarn-dyed fabrics in China and currently a selected and approved supplier for 20 government agencies and public enterprises. Thus with the high potential of numerous government institutions and state-owned enterprises in China, we see excellent opportunities to expand our sta-tus in this area in a medium and long-term and to benefit from this accordingly. At the same time, we especially intend to expand regionally in the Branded Products segment in the medium-term. In July 2013, we opened our first "VARPUM" image store in China. Altogether, we have already eight Firstextile stores and five directly operated VARPUM retail stores in China in the next five years we aim to further increase the brand awareness of "VARPUM". But currently the main focus is still on the Chinese market. However, we are working hard on our goal becoming one of the most sought-after and famous textile and fashion brands in China.

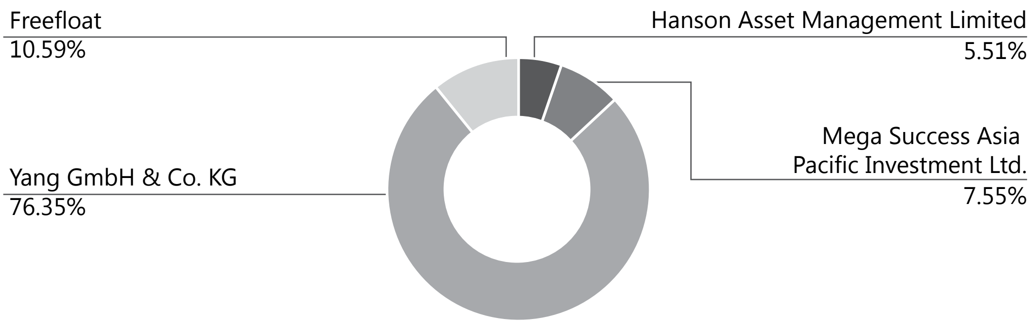
SHARE AND INVESTOR RELATIONS

Performance

1 JANUARY 2013 TO 31 MARCH 2014
EUR

The shares of Firstextile AG (FT8) have been traded in the Prime Standard segment of the Frankfurt Stock Exchange since 12 November 2012. On this first day of trading the share closed at a price of EUR 10.00 (XETRA). Starting the year at EUR 10.80 on 2 January 2013, the share of Firstextile AG experienced ups and downs in the following months. After a downturn during the first two months the share reached its lowest price in the first quarter at EUR 8.82 on 6 March 2013. After a short recovery in the following weeks the share price further decreased in second quarter. The all-time-low in 2013 occurred on 13 August 2013 at EUR 7.25 followed by a significant price increase to EUR 10.15 on 18 September 2013. Achieving a share price of EUR 9.99 on 30 December 2013 Firstextile AG's share decreased by around 7.4% over the course of the year. However, in the first months of 2014 the share price developed at the level of the issue price. During the first three months the share registered the highest closing price of EUR 10.45 on 7 March 2014. On 31 March 2014 the share price stood at EUR 10.00.

Shareholder structure



Share Key data

Listing	Regulated market (Prime Standard), Frankfurt Stock Exchange
ISIN / WKN / Ticker	DE000A1PG8V8 / A1PG8V / FT8
Class of shares	Ordinary bearer shares
Share capital	EUR 11,800,000.00
Number of shares	11,800,000

Investor Relations

Since its initial public offering (IPO) in the Prime Standard segment of the Frankfurt Stock Exchange in November 2012, Firstextile AG has communicated actively with equity research analysts, investors and journalists in order to fulfil the high transparency standards of the Prime Standard. In this con-text, the company participated at the German Equity Forum 2013 in Frankfurt / Main in November 2013. Furthermore, the regular and prompt publication of news on the company underscores the management's goal of providing comprehensive information on the company's operations. Firstextile plans to exceed the standards required by the Prime Standard by regularly communicating with the financial community.

In the 2013 financial year, the company was covered by the following research institutions:

- Macquarie Equities Research
- Warburg Research
- Edison Investment Research

Annual General Meeting 2013

Firstextile AG's first Annual Meeting of Shareholders was successfully held on June 20, 2013, in Frankfurt/ Main, Germany. The Managing Board reported in detail on the company's performance in 2012 as well as the forecast for the current fiscal year.

At the Annual General Meeting, almost all of the represented shareholders approved of the items on the meeting's agenda. A total of 80.21 % of capital stock with voting rights was represented. Detailed information on the voting results can be viewed at any time in the Investor Relations section of the company's Web site: www.firstextile.de.

Financial Calendar 2014

[21 May 2014]	Q1 Report 2014
[24 June 2014]	Annual General Meeting
[27 August 2014]	H1 Report 2014
[19 November 2014]	Q3 report 2014
24-26 November 2014	Deutsches Eigenkapitalforum, Frankfurt/Main

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The financial year 2013 was another very successful year for Firstextile Group. Despite the challenging environment following the slowed down dynamic growth of the Chinese economy during the reporting year, the company was able to further significantly grow as a key provider of fabrics and shirts in the Chinese market.

In the financial year 2013, the Supervisory Board provided advice and monitoring to the Management Board and discharged all duties and obligations imposed on it by law, the Company's Articles of Association and its internal rules of procedure. It is the Supervisory Board's responsibility to monitor and supervise the Management Board and to act in an advisory capacity.

The Management Board provided the Supervisory Board with regular information on the development of the overall performance, results and activities of Firstextile AG, the Group and its individual product and market segments and responded to the questions put to it by the Supervisory Board. The Supervisory Board continuously cooperated with the Management Board requested and received information on corporate planning, the company's continued strategic development and principal projects on an ongoing basis and was advising the Management regularly. The strategic planning of the company was coordinated between the Management Board and the Supervisory Board.

Constitution of the Supervisory Board

The constitution of the Supervisory Board of Firstextile AG changed within the fiscal year 2013.

Until the end of the Annual General Meeting on 20 June 2013 the (first) Supervisory Board was made up of its Chairman Philip Ellick, its Vice Chairman Prof. Edgar Rosenberger and Chao Yu as ordinary member. The Annual General Meeting on 20 June 2013 appointed Chao Yu as well as the new members Dr. Yann Samson and Marco Eberhard Pabst replacing Philip Ellick and Prof. Edgar Rosenberger as members of the Supervisory Board.

Since the Supervisory Board was composed of only three members, the formation of committees which, in general, have to be composed of at least three members, did not take place and, apart from that, was considered not to be required because intensive and qualified discussion can be conducted in plenary meetings. In addition, the formation of a committee which only prepares decisions of the Supervisory Board was not considered to be expedient.

Meetings of the Supervisory Board

The Supervisory Board held in total five meetings in the financial year 2013. These meetings took place on 28 March, 22 April, 20 June, 18 September and 10 November 2013.

The meetings hold on 28 March and 22 April 2013 dealt with the financial statements 2012, the preparation and convocation of the AGM as well as the risk management system of the Company which was explained by the Management Board. Furthermore, the Management Board provided a detailed update on the recent business developments.

In the constituent meeting of the newly staffed Supervisory Board on 20 June 2013 Dr. Yann Samson and Marco Eberhard Pabst were appointed as the Supervisory Board's Chairman and Vice Chairman, respectively.

During the meetings on 18 September and 10 November 2013 the Supervisory Board especially covered the strategy on the branding business and retails shops. Furthermore, progress on the new production facilities and expected impact on the business was reviewed and discussed. Besides, the Supervisory Board reviewed the results of the implementation of a risk management system.

The communication between the Management Board and the Supervisory Board was further intensified in the financial year 2013, a monthly formal reporting has been implemented in addition to the existing communication in meetings, reports, phone calls etc. Scope and contents of the reports had been defined beforehand.

All decisions made during the reporting period were unanimous.

Corporate Governance

On 27 December 2013, the Supervisory Board resolved unanimously upon a declaration of conformity in accordance with section 161 of the German Corporate Governance Code. This declaration has been made permanently available on the company's website www.firstextile.de within the Investor Relations section. The declaration will be updated as soon as required, be it by law or by any new facts giving rise to any amendment. Additionally, information on corporate governance is contained in the Corporate Governance Report for the purposes of Section 3.10 of the German Corporate Governance Code.

In the financial year 2013, no conflicts of interest with members of the Management Board or the Supervisory Board occurred which would require disclosure to the Supervisory Board and would need to be reported to the Annual General Meeting.

Annual Financial Statements and Consolidated Financial Statements for 2013

In its accounts review meetings on 10 and 28 April 2014 the Supervisory Board discussed the financial statements 2013 and the auditor's report. Particular attention was paid to the annual financial statements of Firstextile AG (prepared according to the regulations of the German Commercial Code (HGB)) and the consolidated financial statements of the entire group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of which had a reporting date of 31 December 2013. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2013 fiscal year. All documents to be reviewed in this context were submitted to the Supervisory Board in good time, so that the Supervisory Board had sufficient opportunity to study them.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements of Firstextile AG. The auditing firm conducted its audit in accordance with the German principles of proper auditing as set forth by the German Institute of Chartered Accountants (IDW). There are no concerns regarding the auditor's independence. The auditing firm reported orally and in writing on the key results and principles of their audit; the company's internal monitoring system (and risk management system) do not exhibit any major weaknesses. In addition, the auditing firm provided detailed information about the scope and focus of their audit.

The Supervisory Board discussed the annual financial statements with the Management Board and the auditor. The Supervisory Board had no objections. The annual financial statements and consolidated financial statements of Firstextile AG, dated 31 December 2013, were approved by the Supervisory Board in a resolution dated 28 April 2014. As a result, Firstextile AG's annual financial statements, dated 31 December 2013, have been officially adopted.

The Supervisory Board expresses its gratitude to the Management Board for their excellent work, which led to a successful year for Firstextile AG.

28 April 2014

Dr. Yann Samson / Chairman of the Supervisory Board


Firstextile

CONSOLIDATED GROUP MANAGEMENT REPORT

CONSOLIDATED GROUP MANAGEMENT REPORT

This report uses the term Branded Products to describe the segment that before the financial year 2013 was referred to as the Shirts segment. This is only a change in wording, but not in content. The segment previously referred to as Shirts segment and now as Branded Products segment comprises shirts sold under the brands "VARPUM" and "Firstextile". Furthermore this segment contains branded products like suits, jackets, pants, sweaters, t-shirts, shoes and other accessories. This has been the same in 2012; therefore previous year segment information does not require any adjustment.

1. Basis of the Group

1.1 Business model

Firstextile is a leading manufacturer of high-end yarn-dyed fabric for the Chinese market with its three business segments: Fabrics, Uniforms and Branded Products. In 2013, the Fabrics segment contributed to 68.2% of the revenues (2012: 63.1%) and the Uniforms segment to 16.7% (2012: 26.0%), while the Branded Products segment accounted for 15.1% (2012: 10.9%). Firstextile considers product and production-related research and development ("R&D") as one of its main competitive strengths, since fabric production is highly automated, capital-intensive and engineering-driven.

Fabrics segment

In its Fabrics segment, Firstextile produces yarn-dyed fabric. With the capability of offering more than 6,800 fabric pattern designs by the end of 2013, Firstextile meets a wide range of demands and requirements from its customers by providing them with specifically designed fabric. Contributed to the strong R&D and in-house pattern design capability, the company focuses on producing two types of yarn-dyed fabrics:

- High-end fabrics mainly beyond 70 counts and up to 300 counts; and
- Multifunctional fabrics with special features, such as anti-bacterial, anti-static, ultraviolet resistant, flame retarding, skin protecting, etc.

The segment also comprises the sale of uniform fabric, which is mostly produced from a mixture of fibers, including synthetic fibers. While the company conducts the dyeing and after-finishing completely inhouse, the comparatively labour-intensive weaving process is largely outsourced to original equipment manufacturers ("OEM"). Customers for yarn-dyed fabric in China comprise trading companies and apparel manufacturers. Uniform fabric is distributed via bidding processes to government institutions and state-owned enterprises.

Uniforms segment

In the Uniforms segment, the company produces fabric for uniform shirts based on clients' specific requirements (typically made of a mixture of cotton and synthetic fibres), while sewing is outsourced to OEM. In addition, Firstextile offers entire uniforms consisting of suits and shirts and also offers sweaters and other accessories if required by customers. Products in the Uniforms segment are distributed to government institutions and state-owned enterprises which mainly operate via bidding processes. Only a certain number of companies is selected as short-listed suppliers and thereby licensed to participate in these biddings. Due to the strong R&D capability, Firstextile has high expertise in the uniform market and therefore has been selected as a shortlisted supplier to 20 government institutions and state-owned enterprises, i.e. China Railway, China Mobile, China Unicom, Bank of Communications, China Merchants Bank, State Administration of Taxation, China Security Association and many more.

Branded Products segment

In its segment Branded Products, Firstextile operates at the moment two menswear brands –"Firstextile", which aims the wholesale business for e.g. corporate gifts and "VARPUM", which focuses on the retail business of the premium menswear market. Beside own branded products like suits, jackets, pants, sweaters, t-shirts, shoes and other accessories, currently the main revenue driver in this segment still are premium shirts which are offered under the brand name "Firstextile" through wholesale channel and made from the company's own high-end yarn-dyed fabric. The portfolio of shirts including 40 to 50 different patterns is continuously changing according to market developments, seasons and fashion trends. In July 2013, Firstextile established a new business plan on the repositioning of "VARPUM". As a result, "VARPUM" has been relaunched and separated from "Firstextile" as full range premium menswear brand for retail only. As of the date of publishing this report, the distribution network of Firstextile's Branded Products segment includes a total of twelve stores in Mainland China (eight distributor-operated and four self-operated retail stores).

Four Pillars Growth Strategy

Firstextile has a well-defined growth strategy with main focus on production capacity expansion as the main revenue driver since the company had almost full utilization of production capacity during 2013. Besides, the company has identified the following factors being relevant for its further growth: larger production capacity, achieving economies of scale, higher brand recognition, more complete and efficient distribution channels, and higher product quality and innovation.

In order to achieve these goals Firstextile has defined a growth strategy based on four pillars:

Four pillar growth strategy for a successfull business development

i. Production Capacity Expansion

Firstextile's annual production capacity comprises approximately 36 million meters of fabric, and aims to double after-finishing capacity to 72 million meters in order to meet future demand. In connection with this, weaving capacity will also be increased from almost 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons. The expansion of the production facilities is expected to be finished at the end of 2014. In addition the company will increasingly be able to leverage economies of scale and to reduce implementation risk by duplicating the current setup.

ii. Strengthen Uniforms segment

At the end of 2013, Firstextile is a selected shortlisted supplier to 20 government institutions and state-owned enterprises. In the future, the company aims to leverage its status as pre-approved supplier with numerous large uniform purchasers in order to force segmental revenue sustainable. Due to the hugh market government institutions and state-owned enterprises Firstextile sees excellent chances to improve its status as selected shortlisted supplier significantly in a mid and long term. Besides, the company wants to strengthen sales efforts and activities to the broaden customer base at the same time.

iii. Forward the integration into Branded Products business

In order to forward the integration into the branded products business, Firstextile will promote its brand awareness as a premium brand. Besides, the company plans to expand its shirt business activities in the Branded Products segment step-by-step into adjacent regional markets. This regional expansion will be accompanied by establishing dedicated retail sales channel with distributor-led and own outlets. Thereby the company pushes the process of establishing "VARPUM" as a leading brand in the premium menswear sector in China within three years and extending "VARPUM's" brand impact in Greater China and Asia within five years.

Business focus remains on domnestic Chinese high end fabrics market

iv. Strengthen product quality and R&D

R&D activities are a main driver of Firstextile's success. Thus the company will strengthen the R&D team and laboratory equipment consequently. Also it will intensify its successful university cooperation to increase the creation of new and functional fabrics. Within its R&D activities, the company will especially focus on strengthening the development of functional fabrics, enhanced processes, high count products and green production. Firstextile will push this process continuously and therefore intends to maintain its annual R&D expenses at an amount around 3% of revenue.

1.2 Business structure and holdings

The Firstextile Group comprises the listed company Firstextile AG, Frankfurt/Main, Germany, and its direct and indirect wholly-owned subsidiaries, China Firstextile (Holdings) Limited ("Firstextile Hong Kong"), Hong Kong, Jiangyin First Textile Co., Ltd. ("JFT"), Jiangyin, China and Jiangsu Fanbai Men's Apparel Co., Ltd. ("JFB"), Jiangyin, China. Firstextile's operating activities are realised by its subsidiaries domiciled in China. The corporate structure of Firstextile is presented in the chart below:

1.3. Business locations and Employees

Firstextile operates modern production facilities in Jiangyin, Jiangsu Province, China, which is one of the main centres of the Chinese textile industry. The production facilities were established in 2007 when Firstextile launched its business operations.

As of 31 December 2013, Firstextile employed a total of 815 staff (2012: 766 staff). Firstextile does not employ temporary contract workers. The table below provides a breakdown of the number of employees as of 31 December 2012 and 2013 respectively:

Category of employees	2013	2012
Management and administration	83	81
Sales, marketing and purchasing	172	123
Research and development	40	39
Production and quality assurance	567	523
Total employees	**862**	**766**

Ensuring consistent high quality through well-trained workers

Firstextile believes that well-trained and skilled workers are essential to ensure the consistent quality of its products and increase production efficiency. Therefore, the company has established comprehensive staff training systems for its production workers. Firstextile also conducts regular training courses for its employees in the marketing, sales, and other administrative departments. During the periods under review until the date of this report, Firstextile has made contribution to the following social security funds for its employees: basic pension insurance, unemployment insurance, medical care insurance, work-related injury insurance and maternity care insurance. Besides, the company offers trainee posts to ensure the availability of high qualified employees in the future but also to give young people the opportunity to start successfully into their professional life.

1.4 Control system and performance indicators

The Group's capital management objectives are: (i) to ensure the Group's ability to continue as a going concern, (ii) to ensure sufficient capital to achieve the Group's strategic goals, and (iii) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, loans and cash and cash equivalents as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages its capital structure and makes adjustments taking into account changes in the general economic conditions and the risk characteristics of the underlying assets.

During the financial years under review, the management monitored capital of the respective companies within the Group separately in a way that there would always be sufficient reserves in the equity for distribution of dividends. Upon the completion of the restructuring exercise and the IPO on the Frankfurt Stock Exchange in Germany, the Group also monitors capital using a gearing ratio. This gearing ratio is net debt divided by total net debt and equity.

Revenue

One of the performance indicators of Firstextile business activities and the company's growth is the revenue development. Since the basis of Firstextile's products in all three segment is fabric and due to the ongoing high market demand in China, typical segmental sales fluctuations can be compensated by the other segments. Therefore Firstextile always takes the overall revenue development at Group level as performance indicator of the company's overall business activities. Currently, Firstextile's production capacity is almost fully utilised and further revenue growth is limited by this factor. The management expects significant growth development once the new plant is completed by the end of the current year 2014 and production capacities are doubled.

Gross profit and gross profit margin

The primary performance indicator used to evaluate and control a segment's operations and earning position is its gross profit. Since the customers and product mix differ in the each segment, also margins in each segment differ considerably. In a long-term perspective, the management's goal is to achieve in the Fabrics segment a gross profit margin between 22 % and 28 %. In the Uniforms segment, the gross profit margins may vary significantly between the various customers, and therefore the management's target gross profit margin in the Uniforms segment lies between 15 % and 25 %. The long-term gross profit margin goal in its Branded Products segment is between 45 % and 55 %.

EBIT and EBIT margin

Earning before interest and tax (EBIT) is the primary performance indicator used to evaluate and control operations and earning position at Group level. The management's goal in a long-term perspective is an EBIT margin at Group level between 12 % and 18 %.

Following you find an overview on the development of the financial performance indicators mentioned above:

Performance Indicators		**2013**	2012	2011	2010
Revenue at Group level	EUR mn	200.3	179.5	131.7	92.2
EBIT margin at Group level	%	20.8	22.3	22.3	19.7
Gross profit margin by segments					
Fabrics	%	27.9	27.6	24.3	25.0
Uniforms	%	21.0	20.8	31.7	n/a[1]
Branded Products	%	65.0	78.7	83.6	89.3

[1] Business in the Uniforms segment was launched in 2011.

1.5 Research and development

Firstextile considers product and production-related research and development ("R&D") as one of its main competitive strengths, since fabric production is highly automated, capital-intensive and engineering-driven. The company is equipped with strong R&D capability, with both in-house and external R&D facilities.

Four major research fields

R&D as one of the main competitive strengths

R&D targets four major research fields: (i) high-count fabric, (ii) fabrics functionality, (iii) efficiency of fabrics production processes, and (iv) minimising the environmental impact of production.

In 2013, Firstextile dedicated 3.1% of its revenue to R&D. Firstextile's R&D department consisted of 40 employees as at 31 December 2013. The company's in-house R&D department consists of three teams focusing on (i) research, production and product development, (ii) producing samples and (iii) testing fabric and yarn functionalities.

Long-term collaboration with Jiangnan University, China

In addition to its in-house R&D department, Firstextile established a long-term collaboration with Jiangnan University, China. Jiangnan University, which is located in Wuxi, Jiangsu Province, in proximity to Firstextile's premises, is one of the key universities in textile research and is renowned for its textile engineering expertise. In 2008, Firstextile and the Jiangnan University set up the Jiangnan University Firstextile Special Function Fabric Research Centre. This Research Centre is led by Dr. Binyao Deng, who was engaged as an expert in preparation of the Twelfth Five-Year-Plan of the Chinese government with regard to the textile industry. At the end of 2013, the Research Centre had 15 part-time researchers and allows selected postgraduate students to research both at the university as well as at Firstextile's laboratories. The Research Centre consists of four laboratories, which focus on (i) new fibres and products, (ii) functionality, (iii) enzyme technology, which ensures a more environmental friendly production process and (iv) processing techniques.

The cooperation between Firstextile and the University is structured as follows: Firstextile with its daily insights on the needs of the industry provides market information to Jiangnan University. Based on this information, the university makes new product development proposals, suggests technical instructions for new product developments and assists Firstextile in developing product prototypes. Firstextile and Jiangnan University co-own all of the research and development achievements of the Research Centre. Besides this, both parties have agreed that Firstextile should have exclusive rights to apply the research results of the Research Centre in its own business operations, and the Research Centre aids the company in applying for patents.

Firstexile – a High and New Technology Enterprise

As a consequence, Firstextile was recognised as "High and New Technology Enterprise" in Jiangsu Province in 2010 for the first time and in 2013 once again. Furthermore, Firstextile was also recognised as "Key High and New Technology Enterprise" by the National Torch Program in 2013.

The successful co-operation has already led to 24 utility model patents and two innovative patents relating to process improvements, product functionality, product design and environmental protection. The most important utility model patents relate to systems allowing for water and power saving during the dyeing process, energy efficiency systems in the after-finishing process, as well as certain fabric functionalities.

Firstextile also believes that in the future investments in R&D will play an important role in strengthening and improving its competitive position as a manufacturer of high-quality yarn-dyed fabric. The company consequently plans to continue to enhance its R&D activities in various areas such as uniform fabric, which is frequently required to offer certain functionalities that can be created through particular fabric structures, the use of certain chemicals or raw materials in the after-finishing process. The main focus of its R&D activity will continue to lie on the efficient production of high-end fabric, the creation of certain fabric functionalities and the reduction of chemicals used in the production process, thereby also minimising the environmental impact. For example, Firstextile is currently exploring the opportunity to replace certain chemicals traditionally used in the fabric production process by new processing techniques and the use of biological enzymes. Firstextile intends to maintain its R&D expenses at an amount around 3% of revenue.

2. Business Report

2.1 Business environment

2.1.1 Global economic trends

According to the Kieler Institute for World economy (IfW), the outlook for the global economy has brightened at the end of 2013. The reason behind is that factors, which significantly impacted the global economy in the past two years, have lost their importance. In the United States, the consolidation of the private sector proceeded. In the Euro area, the measures of structural adjustment are beginning to bear fruit, and in key emerging markets the economy has recently gained momentum after midyear. For the full year 2013, economists at the Institute for the World Economy calculate that the global economy realized a growth rate of 2.9% (2012: 3.1%). Regarding the positive economic development, the institute forecasts a global growth rate of 3.7% for 2014 and 4.0% in 2015.

Postitive economic environment for 2014 expected

2.1.2 Economic development in China

The most relevant target market of Firstexile AG is the domestic market in China. In China the basic trend of a moderate economic expansion continued last year. According to data from the IfW, China's economy growth rate dropped to 7.5% in 2013, down from 7.8% in the previous year. In November 2013, the Central Committee of the Communist Party has adopted economic reforms for boosting economy, which provide, among other things, steps towards liberalization of the financial sector, exchange rates and the interest on deposit account. Besides, non-state-owned companies should play a more important role in the future. The Chinese government has set its GDP growth target for 2014 at 7.5%, the same as for 2013, and will keep consumer inflation at 3.5 percent. The economists of Deutsche Bank however are more optimistic: As a result of the reforms, they are expecting a lower state influence on companies and the financial system as well as a higher economic efficiency. Therefore Deutsche Bank predicts a GDP growth of 8.6% for 2014 and 8.2% for 2015.

2.1.3 Textile and Clothing Industry in China

Also other indicators relevant for the development of Firstextile's business and the overall Chinese textile and clothing industry showed positive signs. In 2013, the producer price index (PPI) for clothing increased by 1.2% yoy, while the purchasing price index for textile raw materials decreased by 0.1% yoy. Overall the total retail sales of consumer goods achieved RMB 23,438.0 billion (equal to EUR 2,871.2 billion), an increase of 13.1% yoy.

Besides, the textile sector showed a sustainable positive development and will maintain steady growth in 2014, the National Development and Reform Commission China (NDRC) reported. According to its information, a series of finetuning of policy measures gradually turned up the growth rate of industrial production in the second half of 2013. From January to December 2013, China's textile sector added value grew by

8.7% year-on-year. The production fabric and apparel increased by 4.6% year-on-year, and 1.3% year-on-year, respectively. In 2013, the revenue of the textile industry amounted to RMB 6384.9 billion (equal to EUR 782.2 billion) leading to an increase of 11.5% yoy. During the year, the efficiency of enterprises also improved. With profits in amount of RMB 350.6 billion (around EUR 43.0 billion) China's textile industry grew by 15.8% yoy. The NDRC expects China's textile industry to show an overall smooth running situation in 2014. It expects a steady growth in domestic consumption and external demand, and there may be a slight improvement in the demand environment.

2.2 Business Development

In the financial year 2013, Firstexile overall recorded a positive development in its business. At almost full utilization of production capacities, the company achieved to expand its business activities significantly. However development in the specific segments differed during the year. Fabrics segment grew in each quarter yoy due to the ongoing high demand at the Chinese market for high-end fabrics. The Uniforms segment showed strong fluctuations quarter-on-quarter, which generally is typical for the business in this area due to the dependence on few large orders. In the second half of 2013 however, the order income was weak and the annual revenue in this segment dropped yoy. At the same time, Firstextile managed to expand its business in the Branded Products segment by opening additional stores, including its first "VARPUM" Image Store, in China. In addition, the product portfolio offered in this segment was enlarged by traded product mixtures in 2013.

And also with view on its further development, Firstextile took several measures in order to improve its business. I.e. Ms Chen Wei, a proven marketing and branding expert with long-term experience in the high-end fashion and lifestyle product industry, joined Firstextile AG as new Marketing Director in March 2013. She is responsible for the development and implementation of branding and marketing strategies across all of the company's various business lines to support the company's further growth.

In addition, Firstextile has started its plant construction phase on 30th April after the planned design phase in Q1 2013. The plant will be built directly next to the current plant on the 55 acres land and will duplicate the existing one with the same high-end textile machineries. By adding additional 36 million meters capacity, the overall capacity will be doubled in accordance with the expansion strategy. By the end of 2014, the new plant should be completed and contribute to increasing revenues from 2015 onwards.

2.3. Results of Operations and Analysis of the Financial Situation

2.3.1 Results of Operations

The consolidated financial information presented in this report was prepared in Euro (EUR), while Firstextile's functional currency is Renminbi (RMB), which is currently not freely convertible. The average exchange rates with which the information relating to the consolidated income statements contained was converted to Euro were EUR 0.1234 per RMB for 2012 and EUR 0.1225 per RMB for 2013. Due to the development of the currency conversion rate EUR/RMB, the comparison between the income information of the financial year 2012 and the financial year 2013 is slightly more negative when expressed in EUR than in RMB. Measured in RMB, Firstextile's revenue in 2013 increased by 12.4% over the same period of previous year (compared to an increase of 11.6 % in EUR).

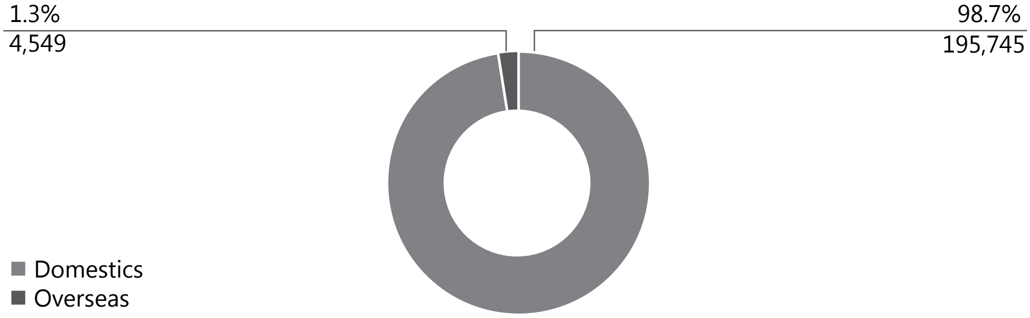
The following table presents the income data of Firstextile AG for financial year 2013 on a consolidated basis with comparative data for the same period of previous year:

kEUR	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Revenue	200,294	179,548
Cost of sales	(135,537)	(123,117)
Gross profit	64,757	56,431
Other income	308	297
Distribution and selling expenses	(9,622)	(5,693)
Administrative and general expenses	(7,448)	(8,122)
Research and development expenses	(6,263)	(2,959)
Net finance costs	(1,642)	(1,770)
Profit before tax	40,090	38,184
Tax expense	(7,171)	(5,652)
Net profit for the financial period	**32,919**	**32,532**

Within the financial year 2013, Firstextile achieved revenue totalling kEUR 200,294, and therefore 11.6 % above previous year's revenue amounting to kEUR 179,548 in 2012. This strong increase is mainly attributable to strong revenue increases of 20.5 % in the Fabrics segment as well as the revenue growth of 55.2 % in the Branded Products segment. Overall thus the company was able to overcompensate revenue decrease in the Uniforms segment which was attributable to segmental fluctuations which are caused by the dependence of few large bulk orders in this business (for detailed information see below: "Revenue by segments").

TOTAL REVENUE
kEUR

REVENUE BY REGIONS
kEUR



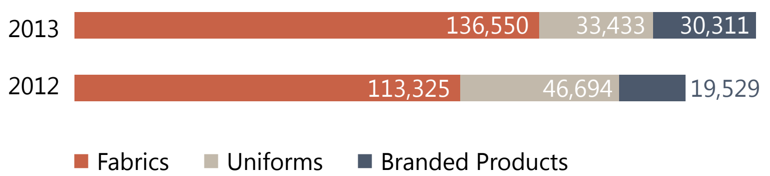
Geographically, 97.7% of revenue or kEUR 195,745 was generated on the domestic Chinese market in 2013 (2012: 97.3% or kEUR 174,704) with only 2.3% of revenue or kEUR 4,549 resulting from direct exports (2012: 2.7% or kEUR 4,844). These figures reflects Firstextile's strategic focus remaining on the Chinese market where, particularly in the high-end segment, more attractive gross profit margins can be achieved than with exports.

In the Fabrics segment, Firstextile achieved revenue increase of 20.5% to kEUR 136,550 after kEUR 113,325 in the previous year. This growth is due to Firstextile's business expansion started in mid 2012 in order to satisfy the strong demand in the Chinese market. Overall this growth was attributable to a slightly higher delivery volume at a higher average selling price (ASP) and reflects the remaining high market demand on high-end fabrics in China. Within the stable market environment, significant increases in the sales volume will be possible once Firstextile successfully has finished its capacity expansion by the end of the current year 2014. The management evaluates this development very positive.

Revenue in the Uniforms segment decreased by 28.4% yoy down to kEUR 33,433 in 2013, which was due to the timing effect of bulk orders from state-owned enterprises and institutions. According to the special nature of this business, revenue in this segment generally depends on relatively fewer large orders. A fluctuation in segment revenue quarter-on-quarter is not exceptional and are well balanced in a long-term perspective. Since order income in the third and fourth quarter of 2013 was relatively weak, Firstexile recorded a decrease in its annual Uniforms revenue. However, the company successfully managed to use its production capacities within its other segments and therefore was able to overcompensate this segmental drop. Already in the first few months of the current financial year 2014, Firstexile saw significant order intakes in the Uniforms segment again.

In the Branded Products segment, revenue increased significantly in 2013. The segment's growth rate was at 55.2% yoy, and revenue amounted to kEUR 30,311 compared to kEUR 19,529 in the same period of the previous year. This strong increase is due to the fact that Firstextile also offered traded products i.e. suits, t-shirts, sweaters, shoes or other accessories in addition to branded shirts since the second quarter of 2013. This revenue increase reflects a sustainable improvement of the revenue situation in this segment year-on-year.

REVENUE BY SEGMENT
kEUR



Cost of sales (COS) was at kEUR 135,537 in 2013 after kEUR 123,117 in the previous year 2012. The increase of 10.1% of COS was slightly below the increase of revenue and reflects the profitability of the company's business model. As a result, gross profit in 2013 increased by 14.8% to kEUR 64,757 (2012: kEUR 56,431). Also the gross profit margin increased correspondingly and remained at a very high level of 32.3% in the reporting period (2012: 31.4%). This improvement in the gross profit margin in 2013 is due to the increasing revenue share of the Fabrics segment and the Branded Products segment which achieve higher gross profit margins than the Uniforms segment.

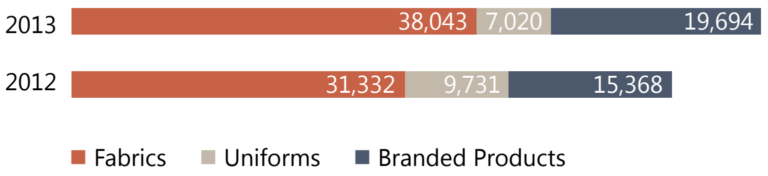
TOTAL GROSS PROFIT
kEUR

In the Fabrics segment, the gross profit increased by 21.4 % to kEUR 38,043 (2012: kEUR 31,332) in 2013, even faster than segment revenue growth, which was up by 20.5 %, lifting the segmental gross profit margin to 27.9 % in 2013 (2012: 27.6 %). This improvement evidences the success of Firstextile's strategy of focusing on the strong Chinese market for high-end fabrics. Due to higher average selling price and the strong pricing power, the company can achieve very attractive gross profit margins by focusing on this market.

Even though the gross profit in the Uniforms segment decreased by 27.9 % to kEUR 7,020 (2012: kEUR 9,731) in 2013, the company managed to slightly improve its margin within this segment. The decrease in gross profit is due to the above mentioned usual quarter-on-quarter fluctuation in segment revenue and corresponding lower gross profit in the third and fourth quarter of 2013. However the gross profit margin in 2013 was at 21.0 % compared to 20.8 % in 2012.

Gross profit in the Branded Products segment increased by 28.1 % to kEUR 19,694 in 2013 (2012: kEUR 15,368). The gross profit margin in the Branded Products segment in 2013 remained on a very high level of 65.0 %, even though it decreased compared to 78.7 % in 2012 since the traded product mixtures offered in 2013 achieve much lower gross profit margins than the own branded premium men shirts.

GROSS PROFIT PER SEGMENT
kEUR



Compared to the financial year 2012, other income, mainly comprising pattern grading income, stayed on a stable level and amounted to kEUR 308 in 2013 (2012: kEUR 297). In connection with the revenue expansion and raised compensation level as the percentage of revenue for the company's sales staff, distribution and selling expenses rose to kEUR 9,622 in 2013 (2012: kEUR 5,693). Beside this, administrative and general expenses decreased in 2013 to kEUR 7,448 (2012: kEUR 8,122). However 2012 figures include one-off IPO costs (kEUR 3,000). Compared to the adjusted 2012 figure, the increase in administrative and general expenses in 2013 mainly occurs from additional administration costs in connection with the listing on the Frankfurt Stock Exchange in Germany. Underlining its great importance for Firstextile, expenses for research and development were up by 111.7 % to kEUR 6,263 in 2013 (2012: kEUR 2,959), the research-spending ratio measured against revenue increased to 3.1 % (2012: 1.6 %).

As a result, the earnings before interest and tax (EBIT) in 2013 increased by 3.9% up to kEUR 41,628 (2012: kEUR 40,056). The company's EBIT margin in 2013 remained strong and amounted to 20.8% in 2013 after 22.3% in 2012. This development is due to an increase across distribution, administrative and general expenses, and higher spending for research and development.

Net finance costs amounting to kEUR 1,642 in 2013, were slightly below the level of the previous year (2012: kEUR 1,770) and were mainly attributable to interests on short-term loans. Consequently, profit before tax stood at kEUR 40,090 in 2013 (2012: kEUR 38,184). In the financial year 2013, the tax expenses rose to kEUR 7,171 compared to kEUR 5,652 in 2012. This increase is mainly due to the change in the applicable tax rate of JFT to which the vast majority of the Group's tax burden is attributable. From 2008 to 2012, Firstextile was entitled to a tax holiday of two years full exemption followed by a three years term of 50% tax exemption. Therefore, its applicable income tax rate in 2012 was 12.5%. From 2013 onwards, Firstextile enjoys a reduced income tax rate of 15% as a "High and New Technology Enterprise".

Firstextile's net profit slightly increased to kEUR 32,919 in 2013 after kEUR 32,532 in previous year of 2012, resulting in a net profit margin of 16.4% (2012: 18.1%). This development is due to the above mentioned increase across distribution, administrative and general expenses, higher R&D spending, as well as more income taxes paid as the result of lifted income tax rate.

TOTAL NET PROFIT
kEUR

On the basis of a time-weighted average number of 11,800,000 ordinary shares, earnings per share in 2013 amounted to EUR 2.79 after EUR 3.17 in the previous year 2012.

2.3.2 Financial Position

As of 31 December 2013, Firstextile's total assets amounted to kEUR 185,334 (31 December 2012: kEUR 142,337) due to its increased business activity despite slight depreciation of RMB against EUR at the end of 2013.

Compared with Firstextile's balance sheet as of 31 December 2012, the non-current assets rose to kEUR 47,385 (31 December 2012: kEUR 31,907), representing increasing property, plant and equipment with an amount of kEUR 41,677 (31 December 2012: kEUR 28,044). This increase of kEUR 13,633 is due to the construction of the additional production site. Land using rights were up to kEUR 5,427 at the end of the financial year of 2013 (31 December 2012: kEUR 3,767) since Firstexile secured additional land using rights in connection with further expansion plans in a long-term perspective. The management evaluates the development in non-current assets as very positive.

Beside this, current assets increased to kEUR 137,949 (31 December 2012: kEUR 110,430) due to the company's higher level of business activity. This development is attributable to the increase in trade and other receivables up to kEUR 53,510 (31 December 2012: kEUR 47,463) which is a consequence of the enhanced operating activities and the extended payment term (from 60 days to 90 days) granted to some customers in 2013. Besides, also cash and cash equivalents increased significantly up to kEUR 71,951 (31 December 2012: kEUR 49,509) as a result of the positive business development and improved cash flow management.

As of 31 December 2013, the company's total equity amounted to kEUR 126,243 reflecting an equity ratio of 68.1 % (31 December 2012: kEUR 95,522; 67.1 %). The increase in total equity is the result of a strong growth in retained earnings. At the end of the 2013, current liabilities increased to kEUR 59,091 (31 December 2012: kEUR 46,815). Thereby borrowings slightly increased to kEUR 30,669 (31 December 2012: kEUR 29,427). All borrowings are short-term bank loans denominated in RMB used for general corporate purposes of Firstextile. Trade and other payables strongly increased to kEUR 24,446 as of 31 December 2013 (31 December 2012: kEUR 13,972). This development was due to Firstextile's extended business activities during the reporting period. The management is satisfied with the capitalization of the company.

2.3.3 Cash flows

Firstextile's cash flows before movement in working capital (profit before tax plus depreciation, adjusted for interest expenses / income) totalled kEUR 45,131 in 2013 (2012: kEUR 43,226) and mainly reflected higher profit generated from business operation. Compared to the previous year 2012, the inventories in 2013 showed a cash inflow of kEUR 789 after a strong cash outflow due to increasing inventories in the previous year (2012: kEUR -6,369). This development reflects Firstextile's business expansion in Q3 2012 and its order-by-order business model as well as shorter warehouse lead. On the other hand, cash outflow from trade and other receivables was at kEUR 7,810 (2012: kEUR 18,576). At the same time trade and other payables increased by kEUR 11,740 (2012: decreased by kEUR 3,888) and shows the company's improved cash flow management. Cash flows from operations consequently amounted to kEUR 49,850 in 2013 (2012: kEUR 14,393). After further deducting cash payment of corporate income tax, net cash flows generated by operating activities were at kEUR 43,417 in 2013 compared to kEUR 9,547 in 2012. The management evaluates the development in cash flows generated by operating activities very positive.

After posting negative cash flows from investing activities of kEUR 1,431 in 2012, negative cash flows in this area totalled kEUR 19,379 in 2013. This strong increase was primarily the result of higher investments in property, plant and equipment, namely in the new production site under construction and new retail stores.

Cash flows from financing activities in 2013 decreased significantly to kEUR -340 compared to positive cash flows of kEUR 16,410 in the previous year's reporting period. This is due to lower proceeds from short-term loans and the regular repayment of such loans in 2013, while 2012 cash flows include proceeds received during the IPO in 2012. Taking changes of currency exchange rates into account, Firstextile's cash and cash equivalents at the end of December 2013 totalled kEUR 71,951 (31 December 2012: kEUR 49,509).

Cash and cash equivalents in 2013 are held mainly in countries where a permit is necessary for the transfer of funds abroad. Notwithstanding these liquid funds can be transferred within a reasonable time, if the Group can meet the necessary requirements.

2.3.4 Overall view of Firstextile's economic and financial position

The 2013 financial year was a successful year for Firstexile. Thanks to the positive market environment in the company's business model, Firstextile was able to expand its annual revenues from kEUR 179,548 in 2012 to kEUR 200,294, representing a new record in Firstextile's storied history. Furthermore, the company remains highly profitable with an EBIT of kEUR 41,628 and an EBIT margin of 20.8 %. Net profit reported a slight increase to kEUR 32,919. Alongside Firstextile's strong net cash flow from operating activities of kEUR 43,417 and a high equity ratio of 68.1 % place the company into a very good position to successfully expand its capacities during 2014. Cash and cash equivalents amounted to kEUR 71,951 at the end of 2013. Thus, the company is able to meet its payment obligations.

3. Significant Events after the Reporting Period

No significant events occurred between 31 December 2013 and the date of this report.

4. Corporate Governance

4.1 Statement of Compliance per Section 289a of the German Commercial Code (HGB) and Corporate Governance Code

Good corporate governance is of great significance for Firstextile AG (the "Company"). The following pages contain the Company's statement on corporate governance in accordance with sec. 289a of the German Commercial Code ("HGB") as well as the Corporate Governance Report in accordance with sec. 3.10 of the German Corporate Governance Code ("Code").

Declaration of conformity

The Management Board and Supervisory Board of Firstextile AG (the "Company") make the following declaration in accordance with section 161 AktG:

The Company complies with the recommendations of the German Corporate Governance Code as amended on 13 May 2013 (the "Code") except for the following deviations and will comply with these recommendations except for the following deviations:

a. Deductible
The Code recommends in section 3.8 para 3 upon entering into a directors' and officers' liability insurance policy to agree on a deductible for the Supervisory Board of the Company corresponding to the deductible set out in the statutory provisions for members of the Management Board.

The Company has entered into a directors' and officers' liability insurance without any specific deductible for members of the Supervisory Board. In the Company's opinion, responsible actions of the members of the Supervisory Board are not promoted additionally by an agreement on a respective deductible.

b. Remuneration of the Management Board
Section 4.2.3 of the Code contains recommendations on the remuneration of the Management Board.

The Company deviates from the recommendations as set forth in section 4.2.3 of the Code, insofar as the current members of the Management Board only receive fixed salaries without variable components. The compensation of the members of the Management Board is exclusively provided under the employment agreements of the members of the Management Board with the operative Jiangyin First Textile Co. Ltd., a Chinese enterprise of Firstextile-Group. This complies with the current Chinese standards which usually only contain fixed and no variable remuneration components.

c. Age limit for Members of the Management Board
Section 5.1.2 paragraph 2 sentence 3 of the Code recommends the specification of an age limit for the members of the Management Board.

The Supervisory Board has not provided for an age limit of management as it considers qualified persons with comprehensive experience eligible for the Management Board irrespective of their age.

d. Formation of Committees
Section 5.3.1 and section 5.3.2 of the Code recommend the constitution of several Supervisory Board committees.

Since the Supervisory Board is composed of only three members, the constitution of committees, which in general have to be composed of at least three members, is impossible and, apart from that, not required because intensive and qualified discussions can be conducted in plenary meetings.

e. Objectives for the composition of the Supervisory Board

Section 5.4.1 paragraph 2 of the Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of section 5.4.2 of the Code, an age limit to be specified for the members of the Supervisory Board and diversity and, in particular, stipulate an appropriate degree of female representation.

Diversity in terms of professional education, local market know-how, international business experience, stock- and capital-market experience, age, gender and nationality was taken into consideration in forming the Supervisory Board on the occasion of the annual general meeting on 20 June 2013. Such and further criteria concerning the composition of the Supervisory Board will be reconsidered on a regular basis, which the Supervisory Board considers more appropriate than the specification of concrete objectives regarding its composition and the definition of quotas for special groups.

f. Publication of consolidated financial statements and interim reports

Section 7.1.2 of the Code recommends that the annual consolidated financial statements should be publicly accessible within 90 days of the end of the financial year and interim reports should be publicly accessible within 45 days of the end of the respective reporting period.

By now, the Company does not comply with these time limits. Due to its international holding structure and linguistic challenges which have to be overcome during the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended time limits.

The declaration of conformity on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) is also permanently available on the Company's website (http://www.firstextile.de/en/investor-relations/corporate-governance/declaration-of-conformity-sec-161-aktg.html).

Supervisory Board

The Supervisory Board supervises and consults with the Management Board concerning its managerial activities in accordance with statutory provisions and the articles of incorporation. The principles relating to the cooperation within the Supervisory Board are set forth in its rules of procedure. The Supervisory Board appoints the Management Board, and is entitled to dismiss its members for justifiable reasons. It informs the Supervisory Board regularly, promptly and comprehensively, especially concerning fundamental matters relating to corporate planning and the net assets, financial position and results of operations, as well as the company's profitability and business trends. The Supervisory Board is involved in all decisions of fundamental importance for Firstextile AG.

Pursuant to Section 12 of the articles of incorporation, the Supervisory Board consists of three members elected by the AGM. The Supervisory Board members notify the Supervisory Board of any potential conflicts of interest. In the financial year 2013, no conflicts of interest with members of the Management Board or the Supervisory Board occurred which would require disclosure to the Supervisory Board and would need to be reported to the Annual General Meeting. Further information regarding the work of the Supervisory Board can be found in the report of the Supervisory Board for the financial year 2013 on pages 18 of the group's annual report 2013.

As Firstextile's Supervisory Board consists of three members it has refrained from the formation of committees from among its membership since such committees would also consist of the statutory minimum number of three members. Due to its small size, the Supervisory Board regards itself as capable of efficiently and confidentially handling all topics in plenary meetings. In addition, the formation of committees only preparing the decisions of the Supervisory Board would also be inappropriate. Since such committees would then need to consist of fewer than three members, and would consequently be unable to pass resolutions.

The current members of the company's Supervisory Board are as follows:

Name	Date of birth	From	Term expires in[1]	Function
Dr. Yann Samson	8 June 1973	2013	2017	Chairman of the Supervisory Board
Marco Eberhard Pabst	3 May 1969	2013	2017	Deputy Chairman of the Supervisory Board
Chao Yu	2 February 1976	2012	2017	Ordinary member of the Supervisory Board

[1] Term of office expires after the General Shareholders' Meeting that formally discharges the Supervisory Board members for the 2013 financial year.

No family relationships exist among the Supervisory or Management Board Members.

Dr. Yann Samson

Dr. Yann Samson is member of management board of financial.com AG and managing director of ATACAMA Capital GmbH, resident in Munich. He was appointed as member and chairman of Firstextile's Supervisory Board in June 2013. The period of office ends with the passing of the annual general meeting in 2017.

Marco Eberhard Pabst

Marco Eberhard Pabst is Chief Investment Officer at ACPI Investment Managers in London. In June 2013, he was appointed to a member and Deputy Chairman of the Supervisory Board of Firstextile. His term of office ends at the general meeting in 2017.

Ms. Chao Yu

Ms. Chao Yu is managing director of Wuxi Super Electronic Co. ltd., resident in Hong Kong. She was appointed as member of Firstextile's supervisory board in June 2013. The period of office ends with the passing of the annual general meeting in 2017.

Management Board

The Management Board of Firstextile AG manages the company's business transactions at its own responsibility, and is its legal representative. It develops the company's strategic orientation, coordinates it with the Supervisory Board, and ensures that it is implemented. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals. The Management Board of Firstextile AG also ensures that statutory regulations and internal guidelines are complied with across all Group companies (compliance).

The rules of business procedure for the Management Board include more specific details about the Management Board's duties to report to the Supervisory Board, as well as certain types of transactions that the Management Board may perform only with Supervisory Board assent, i.e. sale or acquisition of operations or divisions of a certain size, establishment or closing of production sites and branch establishments or confer or denial procuration or general commercial power of attorney. The rules of business procedure also include the schedule of responsibilities of the Management Board and provide regulations about matters reserved for the full Management Board.

The Supervisory Board appoints the Management Board, and determines its compensation. The Management Board currently consists of four members:

- Guofeng Yang, Chief Operating Officer
- Yingjun Fu, Chief Operating Officer
- Hao Cao, Chief Financing Offier
- Xinxin Wang, Executive Director

Avoiding conflicts of interest

In the 2013 financial year, no conflicts of interest among members of the Management or Supervisory boards occurred that would require disclosure to the Supervisory Board and the Annual General Meeting. After thorough examination, the Supervisory Board believes that the business relationships named above do not affect the judgment of the members concerned and do not interfere with the independent consultation with and monitoring of the Managing Board by the Supervisory Board. It is the Supervisory Board's view that it includes a sufficient number of independent members.

Shareholdings of board members and directors' dealings

As of the date of publication of this report, Chief Executive Officer Guofeng Yang indirectly held 9,009,300 shares in the company, corresponding to 76.35 % of the capital stock of Firstextile AG. No other shareholdings of members of Firstextile AG's Management or Supervisory boards existed as at the date of publication of this report. No notifiable directors' dealings occurred until the date of publication of this report. Besides this, all future directors' dealings will be published on the company's website at www.firstextile.de in the Investor Relations section under "Corporate Governance".

Remuneration report

For the remuneration report, please refer to the Group management report on pages 42 to 43. The Remuneration Report summarises the principles applied in determining the compensation paid to members of Firstextile AG's Managing Board and also discloses the amount and structure of their payments as well as the compensation paid to the Supervisory Board.

Annual General Meeting

Firstextile successfully held its first (public) Annual General Meeting (AGM) on 20 June 2013. The 2014 AGM will be held on 24 June 2014. The AGM provides a welcome opportunity for the management to deepen its dialogue with Firstextile's investors. By participating in the AGM the shareholders will shape the company's profile together with the management by exercising their (voting) rights in person or by proxy. Firstextile believes that the AGM represents an important investor relations instrument and an excellent opportunity to communicate with all its investors.

Accounting and auditing

The Group's financial year runs from 1 January to 31 December. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "IFRS") issued by the International Accounting

Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union ("EU IFRSs").

The financial statements have been prepared under the going concern assumption. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in the notes to the consolidated financial statements. The policies have been consistently applied to all the financial years presented, unless otherwise stated. The consolidated financial statements have been generally prepared under the historical cost principle unless otherwise stated.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

The annual individual financial statements of Firstextile AG are prepared in accordance with the provision of the German Commercial Code and supplementary provisions of the company's articles of association.

The company's Management Board is responsible for preparing the consolidated and individual financial statements, as examined by the Supervisory Board, and as audited by an independent auditor and acknowledged by the AGM.

4.2 Information according to article 315 sec. 4 of German Commercial Code (HGB)

The following section presents the information under takeover law required within the meaning of Section 315 (4) of the German Commercial Code (HGB).

Subscribed capital

Following the IPO on 12 November 2012, the subscribed capital consisted of 11,800,000 ordinary no-par value registered shares, each with a notional interest of EUR 1.00 in the company's share capital.

Restrictions regarding voting rights and the right to transfer shares

Each single share grants one voting right under the articles of association of Firstextile AG. In general, Firstextile AG's shareholders are restricted neither by German legislation nor the company's articles of association in their decision to buy or sell shares, except for the transfer restrictions on the transferability of the company's shares under the lock-up agreements during the first 12 months following the successful IPO on 12 November 2012 and which ended accordingly on 12 November 2013. These lock-up agreements are described below.

Firstextile AG's shareholders before the IPO, i.e. Yang GmbH & Co. KG, Mega Success Asia Pacific Investment Ltd. and Plumbohm International Ltd. agreed with the Underwriters (Macquarie Capital (Europe) Limited and M.M. Warburg & CO KGaA) that, for the first 12 months after the listing of the shares of the company on the Frankfurt Stock Exchange, they will not:

- offer, pledge, allot, sell, contract or agree to sell or to contribute or to otherwise transfer, enter into share pooling arrangements relating to the shares or otherwise act in concert with another shareholder of the company, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the company or any securities convertible into or exercisable or exchangeable for shares of the company;

- enter into any swap or other arrangement that transfers to another party, in whole or in part, the economic risk of ownership of shares of the company, whether any such transaction described in the clauses above is to be settled by delivery of shares of the company or such other securities, in cash or otherwise;
- make any demand for or exercise any right with respect to the registration under U.S. securities laws of any shares of the company or any security convertible into or exercisable or exchangeable for shares of the company; or
- propose any increase in the share capital of the company, vote in favour of such a proposed increase or otherwise, support any capital increase proposed with respect to the company without the written consent of the Sole Global Coordinator.

These restrictions did not apply to the sale of the 1,800,000 new ordinary bear shares issued during the IPO in 2012, and to shares purchased in the open market.

Since the end of this lock-up period on 12 November 2013, all shares of Firstextile AG are freely transferable and are subject to no restrictions.

Direct or indirect holdings in the company exceeding 10% of the voting rights

At the time of publication of the group's Annual report, only the Chairman of the Management Board of Firstextile AG, Mr. Guofeng Yang, People's Republic of China, with a share of 76.35% indirect held interests in the company that exceed 10% of Firstextile AG's voting rights. These shares are held through TECHCO INTERNATIONAL LIMITED, Yang Verwaltungs GmbH and Yang GmbH & Co. KG. TECHCO INTERNATIONAL LIMITED, a company wholly owned by Mr. Guofeng Yang, is the limited partner of Yang GmbH & Co. KG (organized as "Einheits-GmbH & Co. KG") which held 100% of the shares of Yang Verwaltungs GmbH. Yang Verwaltungs GmbH is the general partner of Yang GmbH & Co. KG.

Shares with exclusive rights

There are no shares with special rights which grant the holders controlling powers.

Exercise of voting rights of employees

Employees, who are shareholders of the company, exercise their voting rights on their own discretion or by an authorized person. There is no specifically designed control of voting rights for employees holding an interest in the share capital.

Appointment and dismissal of Management Board members

Management Board members are generally nominated and recalled from office pursuant to Sections 84 et seq. of the German Stock Corporation Act (AktG). The Supervisory Board determines the size of the Management Board which, under the company's articles of association, consists of one or more members. If the Management Board consists of more than one member, the Supervisory Board may appoint one Management Board member as chairman or spokesman and another member as deputy chairman or spokesman. Furthermore, the Supervisory Board may appoint further members of the Management Board.

Members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term, for a maximum of five years in each case, is permissible upon a resolution of the Supervisory Board that may be adopted not earlier than one year prior to the expiration of the current term of office. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of its term for good cause, such as for gross breach of fiduciary duties or if the General Shareholders' Meeting adopts a no-confidence resolution in relation to the Management Board member in question.

Amendments of the company's articles of association

Implementing amendments to the articles of association is governed by Sections 133 et seq. and 179 et seq. of the German Stock Corporation Act (AktG). In general, changes require a resolution passed by the Annual General Meeting of Shareholders. However, pursuant to Section 18.3 of the company's articles of association, the Supervisory Board is authorized to make amendments only concerning their wording.

Authority of the Management Board to issue new shares

As at the date of this report, the authorised capital of the company amounted to EUR 5,900,000.00 ("Authorised Capital 2013"). Based on the Authorised Capital 2013, the company's Management Board is authorised to increase the share capital of the company with the consent of the Supervisory Board by up to EUR 5,900,000.00 by issue of up to 5,900,000 shares in return for cash or non-cash capital contributions until 19 June 2018.

In case of a capital increase based on the Authorised Capital 2013, the company's Management Board is further authorised, in each case with the consent of the company's Supervisory Board, to provide that the pre-emptive rights of the shareholders are excluded. An exclusion of the pre-emptive rights, however, is only admitted in the following cases:

- if new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
- for fractional amounts;
- for granting shares to employees and members of the management of the company or of a connected enterprise in connection with employees' participation programs;
- if the shares are issued in consideration of contributions in cash at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emptive rights is only applied to new shares that represent not more than 10% of the share capital; for the calculation of the 10% limitation any other exclusion of the pre-emptive rights according to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be taken into account;
- to list shares of the company or certificates representing shares of the company on domestic or foreign stock exchanges where they are not yet listed;
- to the extent necessary to grant holders of convertible bonds, convertible profit participation rights (Genussrechte), or stock options pre-emptive rights that they would have in case they became shareholders.

A capital increase where the pre-emptive rights are excluded may not exceed 10% of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for an employees' participation programme.

The company's Management Board decides with the consent of the Supervisory Board on the rights to and the conditions of issuance of new shares to be generated through the Authorised Capital 2013.

Change of control provision

No agreements exist with Firstextile AG which are subject to the condition of a change of control due to a take-over offer.

Agreements on compensation in case of a take-over offer

No agreements exist between the Management Board members or employees and Firstextile AG which provide for compensation in case of a change of control due to a take-over offer.

4.3 Dependency Report

Firstextile AG is majority owned by the Yang GmbH & Co. KG , Frankfurt/Main, Germany. Personally liable partner of Yang GmbH & Co. KG is the Yang Verwaltungs GmbH, Frankfurt/Main, Germany. All limited partner's shares are held by TECHCO International Ltd. (BVI), British Virgin Islands. Firstextile AG is therefore first independent company of Yang GmbH & Co. KG and beyond as a second-tier subsidiary indirectly dependent of Yang Verwaltungs GmbH and TECHCO International Ltd. (BVI). Therefore the Management Board has report to the Supervisory Board in accordance with § 312 AktG properly on relations with affiliated companies. The dependency report closes with the following statement:

„We state that Firstextile AG, according to the circumstances that were known at the time in which the legal transactions were made and measures were taken, received adequate consideration for each legal transaction and that there was no negative impact on the company as a result of measures that were taken."

The closing statement of the Management Board is also true for the years 2011 and 2012 for the direct dependence on the Yang GmbH & Co. KG and indirect dependence on the Yang Verwaltungs GmbH and the TECCO International Ltd. (BVI).

4.4 Remuneration Report

4.4.1 Compensation of the Management Board Members

In 2013, Mr. Guofeng Yang received a total compensation of EUR 102,900 (RMB 840,000) for his services as Chief Executive Officer (CEO).

In 2013, Mr. Hao Cao received a total compensation of EUR58,800 (RMB 480,000) for his services as Chief Financial Officer (CFO).

In 2013, Mr. Yingjun Fu received a total compensation of EUR 58,800 (RMB 480,000) for his services as Chief Operational Officer (COO).

In 2013, Ms. Xinxin Wang received a total compensation of EUR 58,800 (RMB 480,000) for her services as Executive Director.

The compensation of key management personnel included only fixed compensation. In the years 2012 and 2013 no variable compensation was granted. Key management personnel are not entitled to compensation components in the event of termination of their employment.

4.4.2 Compensation of the Supervisory Board Members

Compensation paid to the Supervisory Board is governed by the company's Articles of Association. In addition to reimbursing expenses, it stipulates that each member of the Supervisory Board is to receive fixed compensation that is determined by the Annual General Meeting. Supervisory Board members that are only members during a portion of a fiscal year receive proportionately less compensation. The Supervisory Board members are not entitled to any special benefits upon termination of their office. The company also reimburses Supervisory Board members for any VAT they are required to pay on their compensation. Moreover, the company insures Supervisory Board members at its own expense against civil and criminal recourse in connection with the execution of their official duties; the company has also contracted corresponding liability insurance against legal expenses and property loss (D&O insurance).On the basis of the consolidated financial statements from December 31, 2013, the members of the Supervisory Board will receive compensation valued at a total of EUR 130,666 for the 2013 financial year (2012: EUR 47,834).

The following table provides an overview of the compensation to each individual member of the Supervisory Board for performing their duties in the 2013 fiscal year:

Function	Fixed annual remuneration in EUR	Variable remuneration	Attendance fee for board meeting in EUR[1]
Chairman of the Supervisory Board	30,000	n/a	EUR 1,000.00 for every physical meeting, which is increased to EUR 2,000.00 for members of the supervisory board who are not resident in Asia if a physical meeting is held in Asia and for the members that are resident in Asia if a physical meeting is not held in Asia.
Deputy Chairman of the Supervisory Board	20,000	n/a	
Ordinary member of the Supervisory Board	20,000	n/a	

[1] The attendance fee applies only if more than four board meetings are held per fiscal year.

The total payments made in 2013 in the amount of EUR 130,666 (2012: EUR 47,834) are composed of the remuneration of the Supervisory Board up to the annual general meeting of the Company on June 20, 2013 and the new Supervisory Board elected by the annual general meeting of the company. The breakdown is shown in the following list:

kEUR	**2013**	2012
Dr. Yann Samson (since 21 June 2013)	15,000	-
Marco Eberhard Pabst (since 21 June 2013)	10,000	-
Chao Yu	19,000	4,500
Philipp Elick (until 20 June 2013)	53,333	26,667
Prof. Edgar Rosenberger (until June 2013)	33,333	16,667
Total remuneration	**130,666**	47,834

Every member of the Supervisory Board is entitled to reimbursement for expenses incurred for the purpose of his office. The Supervisory Board members are not entitled to any special benefits upon termination of their office.

5. Report on Opportunities and Risks

Firstextile AG is exposed to a variety of different risks which can result from the company's own activities as well as from external factors. For this reason, the Management Board considers a responsible approach to these risks to be the basic precondition for long-term business success. Because of this, the company has made the risk management a central part of its corporate governance activities, with the goal to ensure the continued existence of the company. Risk management monitors the risks systematized in the framework of a risk management system. Risks are considered at the gross method.

Firstextile views on risks and opportunities from an integrated management perspective. By continuously monitoring developments in the relevant target markets, regulatory conditions and economic environment, the company is able to identify opportunities at an early stage. Current opportunities are the subject of regular meetings of the Management Board. It thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation. The management analyzes opportunities outside the risk management system.

5.1 Risk Management and internal Monitoring System

Due to the rapid growth the Group has experienced in recent years, it is aware of the need of a comprehensive risk management system and has consequently established such a system. The seven-step plan that has been implemented ensures a functional Enterprise Risk Management ("ERM") system. The goal of Firstextile AG's ERM is to ensure that possible risks are identified at an early juncture, and that appropriate measures to avert any damage which threatens to occur are initiated:

Step 1: The company established ERM responsibility within the company's management by nominating a "Chief Risk Officer". This can be the CFO or COO. An assistant who keeps records is also appointed.

Step 2: In order to have a fast preliminary result, the company established a Risk Inventory and Assessment ("RIA") applying a "top-down" approach (management and adviser). This RIA is redefined subsequently applying a "bottom-up" analysis by collecting each department head's view on risk, which is aggregated at enterprise level. The completeness of the risk inventory must be investigated and confirmed.

Step 3: For each risk identified, the company defined the person responsible ("Risk Owner"), the company's policy towards this risk, and the measures taken to either prevent or mitigate it, as well as the measures to be taken if the risk occurs.

Step 4: The company collects all such information in a database or book ("Risk Manual").

Step 5: The company defined a regular risk reporting schedule and format for this reporting as well as the person responsible for delivering such reporting. The risk reporting is tracked in the minutes of the management meetings.

Step 6: The management holds semi-annual ERM meetings, one high-level meeting per year and one operational-level meeting per year to improve ERM. These meetings serve as the basis for the annual risk reporting as mandatory part of the IFRS annual reporting.

Step 7: RIA is refined applying a "bottom-up" approach (see Step 2). This is performed at the annual ERM meeting at operational level (see Step 6), with each department head reporting their risk inquiry action, risk assessment and risk control measures to the Management Board (Vorstand).

Risks have been grouped into different general topical areas in order to identify the broadest possible range of risks. As such, the company differentiates between the following risks categories:

- Strategic Risks
- Operational Risks
- Legal Risks
- Financial Risks

Risk Management System in respect of the financial reporting process pursuant to Section 315 (2) of the German Commercial Code (HGB)

Firstextile has implemented accounting, control, and planning tools as an integral part of the company's overall risk management system. The goal of the risk management system as it pertains to the financial reporting process is to identify and assess risks that could conflict with the consolidated financial statements' conformity with applicable regulations.

Firstextile has implemented the following structures and processes with regard to the financial reporting process:

- The CFO has overall responsibility for the company's internal monitoring and risk management system as it pertains to the financial reporting process. All of the companies included in the consolidated financial reports are integrated through a fixed management and reporting organizational structure. The individual financial reports of Firstextile AG and its subsidiaries are prepared pursuant to the laws applicable in their respective countries and are incorporated into one consolidated financial report in accordance with IFRS as adopted by the EU.
- Firstextile currently has Group accounting guidelines in place which aim to ensure that accounting and valuation processes are performed uniformly for individual subsidiaries on the basis of the provisions applicable to the parent company. Changes are made to these guidelines at regular intervals to adapt them to current external and internal developments.
- The company has deployed the business management software Kingdee K/3 since the 2007 financial year, thereby implementing accounting policy unification, financial centralised accounting, financial report integration, capital risk monitoring, and financial data integration. For the purposes of analysing data consistency, this tool already carries out automatic plausibility checks when entering data. The company's finance department performs consolidation measures and monitors adherence to schedule and process-related requirements. In addition, the individual financial statements submitted by Firstextile's subsidiaries are analysed, and if necessary, corrected at Group level.
- Further key elements of the company's risk control strategy in the accounting process include separation of responsibility for entering, verifying, and approving accounting information. Responsibilities in all departments involved are clearly defined. Furthermore, relevant accounting processes (for example, reviews of significant contracts, related party transactions, non-recurring journal entries, etc) are regularly reviewed by the independent internal auditing function. In case of special questions, the company also involves external auditing, accounting and tax experts. An external auditor also evaluates the company's financial statements within the scope of their auditing process.
- Further monitoring activities include analysing and conducting plausibility checks on transactions as well as continuously monitoring project calculations. The aforementioned structures, processes, and characteristics of the internal monitoring and risk management system ensure that Firstextile AG's financial reporting processes are performed in accordance with the applicable legal provisions, generally accepted accounting principles, international accounting standards, and the company's internal guidelines.

The Managing Board views the implemented system as adequate and fully functional. The system is regularly evaluated with regard to potential upgrades and optimizations which are then implemented by the Managing Board.

5.2 Risks of the Company

The company has identified several key risk factors whose probability of occurrence is difficult to predict, but which nonetheless might have a negative impact on the company's trading, financial and earnings positions. The management has adopted numerous sustainable measures to avoid or minimise such risks.

5.2.1. Strategic risk

Highly competitive environment on the Chinese textile market
Firstextile operates in a highly competitive environment, which could, if the company proved unable to remain competitive or if competition were to increase further, lead to a loss of market share and, consequently, revenues. Competition in the Chinese market for high-end fabrics, men's shirts and uniforms is intense and might continue to increase and intensify in the future.

In its core business the Fabrics segment, Firstextile mainly focuses on the domestic high-end yarn-dyed fabric market and on the uniform fabric market in China. In this business segment, Firstextile mainly competes on the basis of product quality and price, reputation in the market place, and, in particular with regards to uniform fabric, on product functionality. In the management's opinion, price competition in the fabric market is of less importance to Firstextile since the company focuses on the high-end market segment where the main customers' priority lies more on product quality rather than price. Therefore Firstextile constantly improves its product quality, besides increasing its productivity and cost-efficiency. The company dedicates itself intensively to product and production-related research and development ("R&D"). In order to maintain and even extend this competitive advantage Firstextile intends to keep its annual R&D expenses at around 3 % of revenue.

In the Uniforms segment, the customers focus lies on product quality, functionality and price as well as the reputation and reliability of a uniform manufacturer. In this segment, Firstextile competes with various Chinese competitors including large Chinese uniform manufacturers, whose focus is on uniform suits, with uniform shirts being a less important segment to them in terms of revenue, and shirt manufacturers who sell uniform shirts as an additional business activity. If any of the competitors that are active in the uniform shirt market as a minor business activity were to place a greater focus on business with uniform shirts, this could lead to an increase in competition and a decrease in Firstextile's revenues and profitability. Nevertheless, the company's management is very confident of its ability to continue to perform well in future, as the existing 19 national level uniform customers will continue to place orders according to their own requirements. From the company's previous experience, Firstextile is always highly ranked among suppliers by the uniform clients.

In the Branded Products segment, Firstextile's competitors in the PRC market for premium shirts are mainly international and, to a lesser extent, domestic brands. Firstextile's international competitors distribute their premium shirts under brands that are internationally recognised and longer-standing than the company's brands "VARPUM" and "Firstextile". These competitors have a larger customer base and greater financial resources which allow them to compete aggressively in the PRC market, including by making significant investments in marketing and brand building. In addition, new PRC competitors, in particular current original equipment manufacturers ("OEM"), could, in a similar way to Firstextile's strategy in its shirt business, access the market by launching their own brands and capitalise on the fact that very few established PRC brands currently exist in the market for premium shirts. To remain competitive, Firstextile must continue to invest significant resources in brand building and maintenance. In 2013, Firstextile further expanded its retail sales channel with distributor-led and own outlets by opening new retail stores in tier 1, 2 and 3 cities. Furthermore, the company hired Ms. Wei Chen, a proven marketing and branding expert, as its new Marketing Director and successfully relaunched "VARPUM" as premium brand. Overall, Firstextile's management considers the company to be very well positioned within this competitive market environment for the future.

Entry of new competitors

New competitors could enter the market at any time, outperforming Firstextile and exerting pressure on prices and margins. However, the management does not currently regard these risks as significant since in its opinion market barriers to entry in the company's core business, high-end yarn-dyed fabric, are very high, in particular. In order to consistently produce high quality fabric and to do so efficiently, significant capital investments exist in property, plant and equipment – particularly in capital-intensive dyeing and after-finishing capabilities. Equally, constant innovation through development of proprietary patterns and production process development for such patterns means that R&D expenses are also high. This has led to a less competitive environment. Firstextile believes that it is well prepared to face this challenge of the future due to its long-term business experience and its ongoing R&D efforts. Therefore the management does currently regard this risk as low.

The management regards the risk as a risk of the operating business, but believes that the company is well positioned due to the measures described to perform well in a highly competitive environment.

R&D risk

R&D could fail to deliver the expected results, innovations could be stolen or copied (see below) or competitors could surpass the company in its R&D efforts. Competitors could challenge existing IP, and the utilisation of such IP could be restricted or increased in cost (settlement costs, royalties). The company's management believes that due to its strong R&D efforts Firstextile is very well positioned to maintain one of the most innovative companies within the market. Furthermore, Firstextile has entered into an agreement with Jiangnan University co-owning all of the research and development achievements of the Research Centre. Besides this, Firstextile has exclusive rights to apply the research results of the Research Centre in its own business operations. Therefore the management does currently regard this risk as low.

Risk of expansion strategy failure

Technical failures, strikes, natural disasters, supply shortages, labour shortages, regulatory rulings or other factors affecting Firstextile or its suppliers could prevent Firstextile from successfully expanding its production capacity within the expected timeframe, within budgeted costs, or at all. The intended increase in production capacity would also require larger purchases of raw materials and the hiring of additional employees, any of which could prove to be uneconomical or impossible. The management does not currently regard these risks as significant and expects to finish its capacity expansion plans by the end of 2014.

Failure to establish retail distribution network

Should the company fail in its strategy of establishing a retail distribution network for its Branded Products segment, and in building and promoting its own brands in the PRC, this could significantly adversely affect its business, financial position and results of operations. Nonetheless, the management believes that with the recruitment of Ms. Wei Chen as Marketing Director beginning from 1 March 2013 represents a valuable contribution to the company's continuing growth in its shirts segment.

5.2.2. Operational risks

Supply risk

Supply risks may emerge in the form of availability risks and price risks, the latter being the most common form. Increases in supply prices could significantly lower the company's margins (such as cotton price increases). Physical supply disruptions such as energy supply disruption could halt production (temporarily). Firstextile has access to a broader group of suppliers and obtains quotes across the market to manage such risk. Therefore the management does currently regard this risk as low.

Outsourcing risk

Availability of outsourcing capacity, price or quality of products may be limited, thereby restricting the company's output capacity. The management believes that limited outsourcing capacities will be less relevant to the company since it plans to expand its own capacities during 2014. Moreover, the company mitigates outsourcing risk by diversifying its business relations to a broad range of business partners. Also the management adopted quality control measures, including onsite inspections on the factory premises of its partners it engages. Therefore the management does currently regard this risk as low.

Environmental risk

During its dyeing and after-finishing processes, the company utilises chemicals which are potentially harmful to the environment. Failure of equipment or processes could cause environmental damage, causing increased cost, liability payments and/or fines. Potentially harmful residues in the company's products could entail product liability risk. Firstextile is aware that for future growth it must increasingly employ environmentally-compatible manufacturing processes and facilities. To reduce the environmental impact of the production process, the company focuses in its R&D efforts among others, on the development of enzyme technology, which ensures a more environmentally-compatible production process. As a result the company has obtained 21 utility model patents including environmental protection which relate to systems allowing for water and power saving during the dyeing process or energy efficiency systems in the after-finishing process. Therefore the management does currently regard this risk as low.

Key personnel and staff risk

The company's production process and technological progress is dependent on qualified personnel. Such personnel could be unavailable or its cost could increase. Key executive management personnel could leave the company and join the company's competitors, with a resultant transfer of know-how. To mitigate these risks, Firstextile provides a safe working environment and continues to invest in and train its employees. Firstextile also pays its staff salary above the average in the city of Jiangyin. Furthermore, the company has established a very strong second management line within the company. Therefore the management does currently regard this risk as low.

Risk of higher raw material prices

Raw material cost, especially cotton yarn, represents the major element of the cost of sale of Firstextile. As such, the company is exposed to any material increase in the price and its margins would be adversely impacted. To mitigate this risk the management has implemented a cost plus pricing policy which enables Firstextile to pass on the inflation of raw materials to fabric customers. Furthermore, the company does not retain any redundant inventory on its balance sheet, but instead sources cotton yarn from suppliers only after the fabric order is secured with a certain mark-up ratio from fabric customers. Therefore the management does currently regard this risk as low.

Risk of increasing labour costs

Even though labour costs in China increased the past years and are expected to further increase the upcoming years, the company's management regards this risk as very low since Firstextile labour cost ratio in 2013 amounted to 1.5%. Due to the high degree of automation the management also expects no significant impact in future due to increasing labour costs.

Credit risks

The recoverability of accounts receivable may be impaired if counterparties or other fail to comply their payment. To control the credit risk arising from trade receivables, customer credit analysis are regularly carried out and prepayments to a large extent are required. The managment assesses the risk of failure as low.

5.2.3. Legal risks

Compliance risk

Non-compliance with legal provisions and regulations could damage the company, such as exclusion from public contracts, fines, restrictions of operating permits, restrictions on non-domestic business or similar. Non-compliance with capital markets laws and regulations could cause sanctions such as fines, liability claims, and revocation of admission to list etc. In order to mitigate this risk the management has established a compliance risk management system within the company. Therefore the management does currently regard this risk as low.

5.2.4. Financial risks

Liquidity risk

Lack of liquidity could impede the company to fulfil its obligations or to accomplish its strategy. Due to the significant amount of equity the company holds as well as the profitability, the management currently does not believe Firstextile faces any liquidity risks at the present time.

Interest-rate risk

The company is exposed to changes in market interest rates through short term bank borrowings being renewed at interest rates different to those currently in place. In general, the company's policy is to minimise the interest rate cash flow risk exposures on short term financing. The current exposure to interest rates for the Group's funds deposited with banks is considered by the management to be immaterial.

Exchange-rate risk

Exchange-rate fluctuations could reduce the value of assets or receivables or increase the value of liabilities or payables. However, the operational activities of Firstextile are denominated mainly in RMB and are not influenced by the fluctuations in foreign exchange rates, expect for certain transactions carried out by the German parent company, and the translation of the financial statements from RMB to EUR. Therefore, the management considers this risk to be low at present.

Counterparty risk

Failure by counterparties to render payments could lead to financial losses (in the case of non-payment of due amounts) or production interruptions (in the case of non-delivery of supplies). In order to minimize default risks in operations, the company extends credit to counterparties (customers) based upon careful evaluation of the customer's financial condition and credit history appraised on an ongoing basis. Due to the careful credit checks, the management considers the counterparty risk to be low at present.

5.3 Future Opportunities for further growth

Growth through expanding production capacity

Excellent growth opportunities identified

Firstextile intends to exploit the opportunities offered by the large market in China for high-end fabrics, uniforms and premium men shirts. Growth of Firstextile is currently only limited by its production capacities which comprises approximately 36 million meters of fabric. In order to meet future demand the company started to build a new production plant in 2013 with the aim to double after-finishing capacity to 72 million meters, weaving capacity to 27 million meters and dyeing capacity to 15,800 tons. The new plant is expected to be finished by the end of 2014. In addition the company will increasingly be able to leverage economies of scale and to reduce implementation risk by duplicating the current setup.

Growth in the Uniforms segment

Due to its strong R&D capability, Firstextile believes that it is well positioned in the uniform market. Firstextile considers product and production-related research and development ("R&D") as one of its main competitive strengths, since fabric production is highly automated, capital-intensive and engineering-driven. The company is equipped with strong R&D capability, with both in-house and external R&D facilities. Uniforms require a combination of comfortable wearing experience, good quality and reasonable pricing, as well as innovations such as certain fabric functionalities. At the end of 2013, Firstextile is a selected shortlisted supplier to 20 government institutions and state-owned enterprises. In the future, the company aims to leverage its status as pre-approved supplier with numerous large uniform purchasers in order to force segmental revenue sustainable. Besides the company wants to strengthen sales efforts and activities to the broaden customer base at the same time.

Growth opportunities in the Branded Products business

The domestic Chinese market for premium fashion - like premium men shirts and other fashion items offered by Firstextile – shows strong demand. Firstextile wants to exploit this opportunity in order to increase the revenue share of its most profitable segment - the Branded Products segment. Therefore the company forwards the integration into the branded products by promoting its brand awareness as a premium brand. Besides, the company plans to expand its shirt business activities in the Branded Products segment step-by-step into adjacent regional markets. This regional expansion will be accompanied by establishing dedicated retail sales channel with distributor-led and own outlets.

Sustainable growth through convincing product quality

Extensive R&D activities are a main driver of Firstextile's success and a unique selling proposition within the market. Thus the company will further strengthen R&D team and laboratory equipment consequently in order to win additional market shares in all its three business segments Fabrics, Uniforms and Branded Products. Within its R&D activities, the company will especially focus on strengthening the development of functional fabrics, enhanced processes, high count products and green production.

5.4 Overall View of Opportunities and Risks

Firstextile's showed strong growth in the previous year is based on a overall stable and diversified business with its three strategic business segments Fabric, Uniforms and Branded Products. The business environment in all those segments is very positive. The company currently enjoys a positive brand and quality image, the capacity expansion plan is planned to be finished by the end of 2014, its capital backing is appropriate, and the Management Board together with its employees forms a highly qualified and high-performing team. As a consequence, the management regards the company as well positioned to address future market trends and exploit opportunities. All opportunities are of great importance for the further development of the company.

Despite the greatest care, it cannot be entirely excluded that significant risks that have been unidentified to date exert a negative impact on business development. No going-concern risks were identified, either during the 2013 fiscal year, or when this annual report was prepared.

6. Forecast Report

6.1 Outlook

Firstextile almost reached its guidance for the full year of 2013, originally set for revenues between EUR 204 million and EUR 221 million and an EBIT margin between 20% and 24%. Thanks to the strong performance of the Fabrics and Branded Products segment, Firstextile was able to almost compensate revenue decrease in the Uniforms segment and achieved total revenues of EUR 200.3 million and an EBIT margin of 20.8%. Although the development in the Uniforms segment was below expectations, Firstextile successfully exploited the business opportunity offered by the Fabrics and Branded Products segment to enhance overall revenue and EBIT in absolute terms.

China's macroeconomic environment will continue to be relatively healthy in 2014, with a GDP growth rate of around 7.5%. In addition, central government policies aiming to increase urbanization and encourage domestic consumption are likely to benefit the company in the long run. On the other hand, the upturn of the China's economy is not yet on a solid footing, downward pressure still exists, and difficulties must not be underestimated. These problems reflect the prominent challenges and economic slowdown that China faces. Firstextile expects that continuing the positive development of revenue and profit growth 2013 in the current 2014 financial year is possible. No significant changes to Firstextile's financial or trading position have occurred between 31 December 2013 and the date of this report. The company will finish building up the new production facility and bring the annual after-finishing capacity from currently 36 million meters to 72 million meters, weaving capacity from less than 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons by the end of 2014. Associated capital expenditure in plant and machinery is expected to lie between EUR 35 million and EUR 45 million in the current financial year 2014. Furthermore Firstextile will forward the integration into the branded products and continue to leverage its status as pre-approved supplier with numerous government institutions and state-owned enterprises.

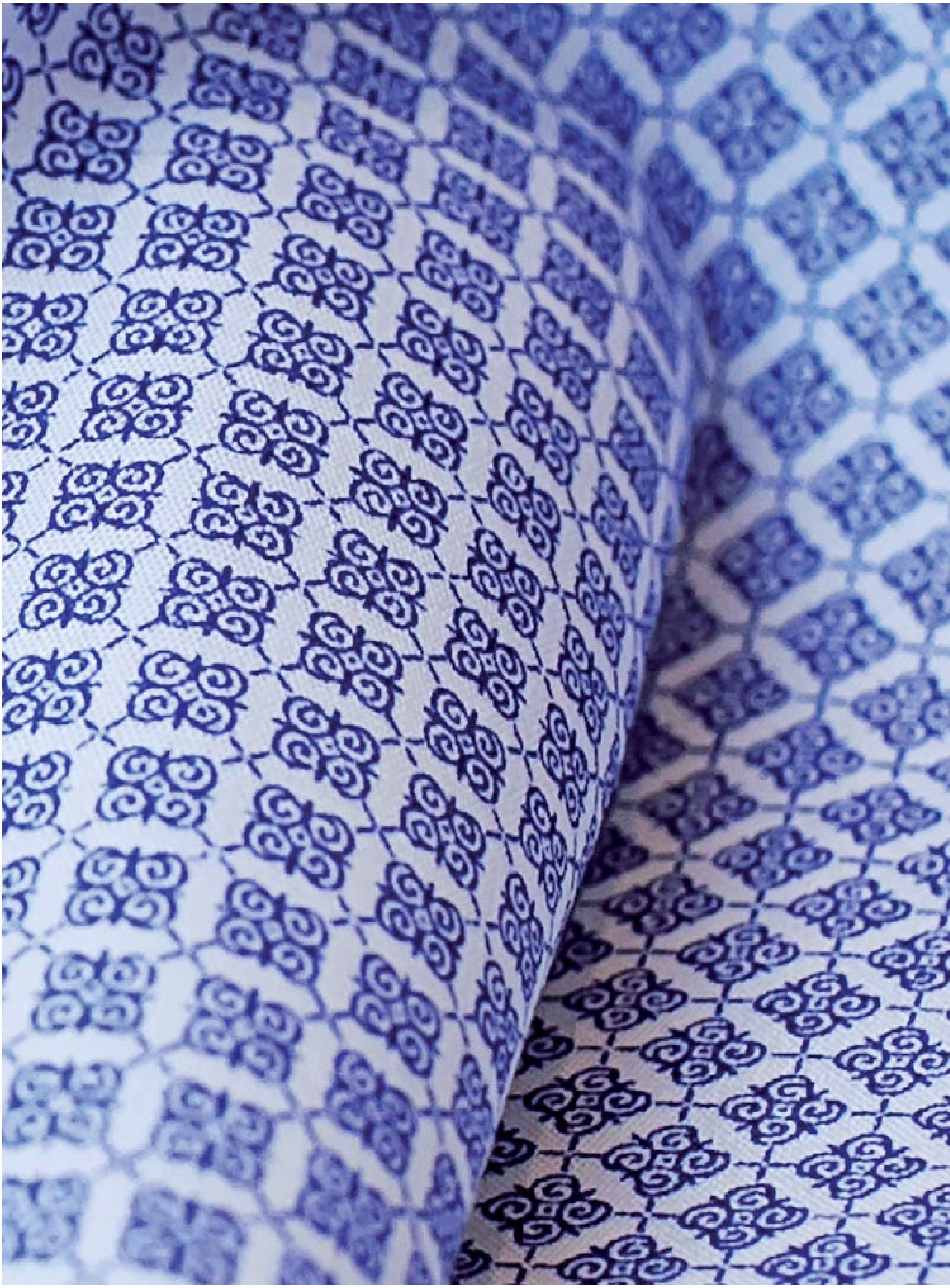
The planned capacity expansion will further increase non-current assets. The proportion of non-current assets to current assets will change accordingly. We also expect the proportion of equity to total assets to increase taking the positive business outlook into account.

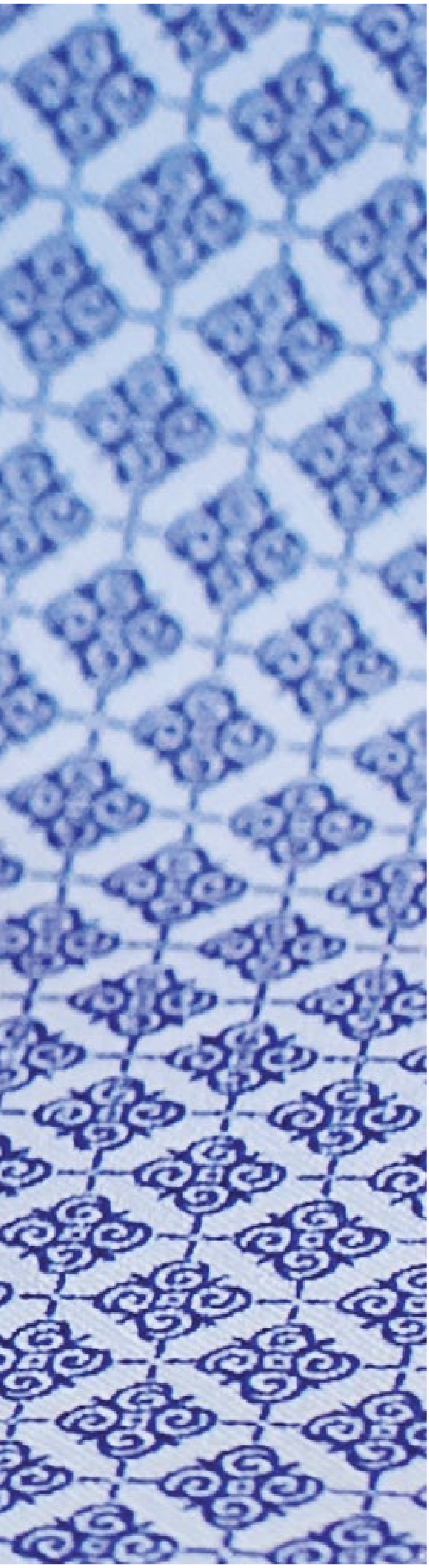
In its Fabrics segment, Firstextile expects the newly built-up facility will start to produce fabrics in the fourth quarter of 2014, which will not contribute to 2014 revenue. Taking downside pressure of raw material price into account, the company expects a revenue level comparable to the previous year, resulting in revenue between EUR 130 million and EUR 135 million and a gross margin between 25% and 27% in 2014. With the company's efforts to attain status as pre-approved supplier for government institutions and large state-owned enterprises gradually paying off and without unexpected delays in bulk orders, the Uniforms segment is expected to grow sustainably year-on-year. However, since the average bidding process takes longer today, such delays in bulk orders cannot be ruled out. Consequently segment revenues are estimated totalling between EUR 30 million and EUR 40 million in the current financial year. The assumed gross margin for the Uniforms segment lies between 18% and 22%. Also in its third business segment, the Branded Products segment, Firstextile is retaining its strategy focusing on wholesale channel and foresees growth in revenue and gross profit in 2014. Segmental revenue in 2014 is expected between EUR 30 million and EUR 35 million and a gross margin between 52% and 58%. As a consequence, the company expects total revenues between EUR 190 million and EUR 210 million. The EBIT margin of between 16% and 18% at Group level is expected slightly below 2013.

The outlook for 2014 takes into account all information known at this time that could have an impact on the Group's business development. However, political and economic uncertainties over which Firstextile has no control could result in actual performance that may deviate significantly from the forecast.

6.2 Forward-looking Statements

This report contains forward-looking statements. These statements are based on the current assumptions and forecasts of Firstextile AG's Managing Board. Such statements are subject to both risks and uncertainties. These and other factors can cause the company's actual results, financial situation, growth, and performance to significantly deviate from the opinions stated in this report. The company assumes no obligation to update these forward-looking statements or adapt them to future events or developments.





CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2013

kEUR	Note	31.12.2013	31.12.2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	41,677	28,044
Land use rights	7	5,427	3,767
Deferred tax assets	8	281	96
Total non-current assets		**47,385**	**31,907**
Current assets			
Inventories	9	12,488	13,458
Trade and other receivables	10	53,510	47,463
Cash and cash equivalents	11	71,951	49,509
Total current assets		**137,949**	**110,430**
TOTAL ASSETS		**185,334**	**142,337**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	11,800	11,800
Reserves	13	114,443	83,722
TOTAL EQUITY		126,243	95,522
LIABILITIES			
Current liabilities			
Borrowings	14	30,669	29,427
Trade and other payables	15	24,446	13,972
Advances from a shareholder	16	-	301
Current tax liabilities	17	3,976	3,115
Total current liabilities		**59,091**	**46,815**
TOTAL LIABILITIES		**59,091**	**46,815**
TOTAL EQUITY AND LIABILITIES		**185,334**	**142,337**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

kEUR	Note	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Revenue	18	200,294	179,548
Cost of sales	19	(135,537)	(123,117)
Gross profit		**64,757**	**56,431**
Other income	20	308	297
Distribution and selling expenses	21	(9,622)	(5,693)
Administrative and general expenses	22	(7,448)	(8,122)
Research and development expenses	23	(6,263)	(2,959)
Interest Income		213	159
Interest Expense		(1,751)	(2,031)
Other financial item		(104)	102
Net finance result	**24**	**(1,642)**	**(1,770)**
Profit before tax		**40,090**	**38,184**
Tax expense	25	(7,171)	(5,652)
Net profit for the financial year		**32,919**	**32,532**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:		(2,198)	(1,250)
Exchange differences on translating foreign operations (net of tax)		(2,198)	(1,250)
Items that will not be reclassified to profit or loss:		-	-
Total comprehensive income		**30,721**	**31,282**
Profit for the year attributable to owner of the parent		32,919	32,532
Total comprehensive income attributable to owner of the parent		30,721	31,282
Basic and diluted earnings per share (EUR)	26	2.79	3.17

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Non-distributable				Distri-butable	
kEUR	Share Capital	Capital reserve	Consoli-dation reserve	Exchange translation Reserve	Retained earnings	**Total Equity**
1 January 2012	**10,000**	**-**	**9,513**	**6,619**	**22,555**	**48,687**
Gross proceeds from initial public offering ("IPO")	1,800	16,200	-	-	-	18,000
IPO costs charged to offset gross proceeds from IPO	-	(2,447)	-	-	-	(2,447)
Withdrawal of capital reserve to retained earnings	-	(5,624)		-	5,624	-
Total comprehensive income	-	-	-	(1,250)	32,532	31,282
Transfer to statutory surplus reserve	-	-	3,546	-	(3,546)	-
31 December 2012	**11,800**	**8,129**	**13,059**	**5,369**	**57,165**	**95,522**
Total comprehensive income	-	-	-	(2,198)	32,919	30,721
Transfer to statutory surplus reserve	-	-	3,456	-	(3,456)	-
31 December 2012	**11,800**	**8,129**	**16,515**	**3,171**	**86,628**	**126,243**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

kEUR	Note	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		40,090	38,184
Adjustments for:			
Interest expense	24	1,751	2,031
Interest income	24	(213)	(159)
Depreciation of property, plant and equipment	6	3,420	3,086
Depreciation of land use rights	7	83	84
Operating cash flows before movements in working capital		**45,131**	**43,226**
Decrease (increase) in inventories		789	(6,369)
Decrease (Increase) in trade and other receivables		(7,810)	(18,576)
Increase (decrease) in trade and other payables		11,740	(3,888)
Cash generated by operations		**49,850**	**14,393**
Income taxes paid	17	(6,433)	(4,846)
Net cash flows generated by operating activities		**43,417**	**9,547**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		213	159
Purchase of property, plant and Equipment	6	(17,754)	(1,590)
Purchase of land use right		(1,838)	-
Net cash used in investing activities		**(19,379)**	**(1,431)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loans		42,875	45,905
Repayment of short term loans	6	(41,160)	(42,203)
Repayment to a shareholder	6	(304)	(814)
Gross proceeds from IPO	6	-	18,000
Costs relating to the issuance of equity	6	-	(2,447)
Interest paid		(1,751)	(2,031)
Net cash (used in) generated from financing activities		**(340)**	**16,410**
Net increase in cash and cash equivalents		23,698	24,526
Cash and cash equivalents at the beginning of the financial year		49,509	25,659
Exchange loss on cash and cash equivalents		(1,256)	(676)
Cash and cash equivalents at the end of the financial year	11	71,951	49,509

Cash and cash equivalents represent cash and bank balances.

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2013 AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1. Corporate Information

The consolidated financial statements include the financial statements of the holding company, Firstextile AG (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group").

Firstextile AG ("Company")

The Company is the parent company and a German stock corporation (Aktiengesellschaft) operating under German law. The Company was founded by Yang GmbH & Co. KG and Mega Success Asia Pacific Investment Limited ("Mega Success") by means of a notarial deed of formation (Gründungsurkunde; Roll of Deeds No. 252/2011 of the notary Dr. Andreas Bittner) dated 21 July 2011 against contribution of their shares in China Firstextile (Holdings) Limited, Hong Kong, Special Administrative Region of the Peoples' Republic of China ("Hong Kong"), under a share contribution agreement (Einbringungsvertrag). Yang GmbH & Co. KG subscribed for 9,100,000 of the newly issued shares in the Company. Mega Success subscribed for 900,000 of the newly issued shares in the Company. The completion (Durchführung) of the formation became legally effective by registration in the commercial register of the local court of Frankfurt on 23 May 2012.

On 8 November 2012, the Management Board and the Supervisory Board resolved to implement the capital increase for 1,800,000 of the newly issued shares in the Company. Upon registration with the commercial register on 9 November 2012, the number of outstanding shares of the Company was increased to 11,800,000 in total. On 12 November 2012, the Company was successfully listed in the regulated market (Prime Standard) on the Frankfurt Stock Exchange in Germany.

The legal and business name (Firma) of the Company is "Firstextile AG". The legal seat (Satzungssitz) of the Company is in Frankfurt am Main. The Company is registered with the commercial register (Handelsregister) of the local Court (Amtsgericht) in Frankfurt under registration number HRB 93793. The Company has its business address in Frankfurt, Germany. The Company's financial year is the calendar year (that means 1 January through 31 December). The Company has been established for an unlimited period of time. The consolidated financial statements were prepared under the assumption that the Company is a going concern.

China Firstextile (Holdings) Limited ("Firstextile Hong Kong" or "HK")

Firstextile Hong Kong is an intermediate holding company and was incorporated and domiciled in Hong Kong on 18 October 2010. The authorised share capital of the Company as at the date of incorporation was HKD 10,000 divided into 10,000 shares of HK$1 each, of which one share was initially allotted and issued to Mr. Yang Guo Feng ("Mr. Yang"). On 9 June 2011, Firstextile Hong Kong allotted and issued, credited as fully paid at par, an aggregate of 90 new shares to Mr. Yang. On the same day, at the request of Firstextile Hong Kong, Mega Success converted the convertible bonds of USD 12,000,000 in all into 9 new shares in Firstextile Hong Kong (Note 12). The address of its registered office and principal place of business of Firstextile Hong Kong is Suite 3104 to 3106, Central Plaza, 18 Harbour Road, Hong Kong. Firstextile Hong Kong is an investment holding company.

Pursuant to a share contribution agreement dated 27/29 July 2011, Mega Success transferred its 9 shares of HK$1 each in Firstextile Hong Kong in exchange for 900,000 no par value bearer shares in the Company at an issue price of EUR 1 each.

Pursuant to the named share contribution agreement dated 27/29 July 2011, Mr. Yang transferred his 91 shares of HK$1 each in Firstextile Hong Kong upon request of Yang GmbH & Co. KG to the Company in order to fulfill Yang GmbH & Co. KG's contribution obligation as a third party. In exchange for this transfer, Yang GmbH & Co. KG received 9,100,000 no par value bearer shares in the Company at an issue price of EUR 1 each.

Consequently, Firstextile Hong Kong became the wholly-owned subsidiary of the Company. On 19 November 2012, Firstextile Hong Kong allotted and issued, credited as fully paid at par, an aggregate of 100 new shares to the Company for a consideration of EUR 15,000,000.

Firstextile Hong Kong holds all shares of Jiangyin First Textile Co., Ltd., a limited company established under the laws of the Peoples' Republic of China (the "PRC").

Jiangyin First Textile Co., Ltd. ("JFT")

JFT (江阴福斯特纺织有限公司) was jointly incorporated and domiciled in the PRC on 23 January 2006 between Jiangyin Dongjun Textile Co., Ltd. ("Dongjun") and Mr. Chong Yiu Fai ("Mr. Chong"), both of whom acted as the trustees on behalf of Mr. Yang, since its dates of incorporation. On 18 November 2010, pursuant to a series of equity transfer agreements, Dongjun and Mr. Chong transferred their respective equity interests in JFT to Firstextile Hong Kong for consideration of USD 12,000,000 and USD 8,000,000, respectively. The latter consideration of USD 8,000,000 was waived on the same day for the purpose to contribute its claim to the capital reserves of Firstextile Hong Kong and thus it is included in the consolidation reserves in the consolidated financial statements of the Group. Consequently, JFT has become the wholly-owned subsidiary of Firstextile Hong Kong.

JFT is principally engaged in the designing, manufacturing, and sale of yarn-dyed high-grade multifunctional fabrics, shirts and uniforms. There have been no significant changes in the principal activities during the financial years under review.

The principal place of business of JFT is located at Lingang Economic Development Zone, Shengang Town, Jiangyin City, Jiangsu Province, the PRC.

JFT holds all shares of Jiangsu Fanbai Men's Apparel Co., Ltd., a limited company established under the laws of the PRC.

Jiangsu Fanbai Men's Apparel Co., Ltd. ("JFB")

JFB (江苏范佰男装有限公司) was incorporated and domiciled in the PRC on 19 October 2011 by JFT. JFB is principally engaged in the designing, manufacturing, and sale of apparels, knitwear and textile products, as well as the operation of franchise and retail chain. There have been no significant changes in the principal activities during the financial years under review.

The principal place of business of JFB is located at Lingang Economic Development Zone, Shengang Town, Jiangyin City, Jiangsu Province, the PRC.

The consolidated financial statements are presented in thousand of Euro ("kEUR"), unless otherwise stated. The functional currency is Chinese Renminbi ("RMB").

The consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2014.

The English names of certain companies/parties referred to in the consolidated financial statements represent unofficial translations of their registered Chinese names by management and these English names have not been legally adopted by these entities.

All subsidiaries of the Company are consolidated. In summary:

kEUR		Share directly	Equity	Results
HK	31 December 2013	100%	32,225	4,720
	31 December 2012	100%	32,766	196
JFT	31 December 2013	100%	122,343	33,882
	31 December 2012	100%	95,290	35,462
JFB	31 December 2013	100%	1,861	673
	31 December 2012	100%	1,221	6

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "IFRS") issued by the International Accounting Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union ("EU IFRSs"). The financial statements have been prepared under the going concern assumption.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the financial years presented, unless otherwise stated.

The consolidated financial statements have been generally prepared under the historical cost convention except as otherwise stated.

The preparation of consolidated financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the consolidated financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates. Thus, the Directors of the Company are responsible for preparing the consolidated financial statements.

The operating subsidiaries in the PRC maintain their accounting records in RMB and prepare their statutory financial statements in accordance with the PRC generally accepted accounting principles. The financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of the fair presentation in accordance with EU IFRS.

3. Significant accounting policies

3.1 Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

Individual line items have been summarized in the consolidated statements of comprehensive income and the consolidated statements of financial position in accordance with IAS 1.54 to aid clarity of presentation. These items are disclosed and explained separately in the notes.

All items of income and expenses recognised during the period have been presented in a single statement of comprehensive income and the function of sales method has been used in classifying expenses in the consolidated statement of comprehensive income.

Dividends to be paid by the operating Chinese subsidiaries have to be approved generally by the PRC government bodies. In addition dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements.

Cash transfer from mainland China generally depends on formal approval procedures by the PRC government bodies.

3.2 Foreign currencies

3.2.1 Functional currency

The directors have determined the currency of the primary economic environment in which the Group operates, to be RMB as the functional currency. Sales and major costs arising from the provision of goods and services including major operating expenses are primarily influenced by fluctuations in RMB.

3.2.2 Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the consolidated entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values are determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the consolidated statements of comprehensive income as profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity (through other comprehensive income) as foreign currency translation reserve in the consolidated statements of financial position and recognised in the consolidated statements of comprehensive income on disposal of the subsidiary.

3.2.3 Presentation currency

The presentation currency of the Group is EUR , using a German holding company which has been established in 2011. The consolidated financial statements have been translated from the functional currency, RMB to EUR at the following rates:

	Period end rates	Average rates
31 December 2013	RMB 1.00 = EUR 0.1198	RMB 1.00 = EUR 0.1225
31 December 2012	RMB 1.00 = EUR 0.1216	RMB 1.00 = EUR 0.1234

The results and financial position are translated into EUR using the following procedures:

Assets and liabilities for each statement of financial position are presented at the closing rate ruling at the reporting date. Income and expenses for consolidated statements of comprehensive income are translated at average exchange rates for the period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

On disposal of an operation with functional currency different to presentational currency the cumulative translation differences recognised in equity are classified to profit or loss and recognised as part of the gain or loss on disposal.

3.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that additional future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Buildings	20 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years
Store decoration	3 years

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At each reporting date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment is made if the carrying amount exceeds the recoverable amount (see Note 3.5 to the consolidated financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 Land use rights

Land use rights represent upfront prepayments to acquire long term interests in the usage of land, which are presented separately, but classified as property, plant and equipment either. The upfront prepayments are initially recognised on the consolidated statements of financial position as prepaid lease payments. Depreciation is charged using the straight line method over a period of 50 years which is the lease term. The depreciation is included within the administrative and general expenses line in the consolidated statements of comprehensive income.

3.5 Impairment of non-financial assets

The carrying amount of non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (CGU) to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average formula. The cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity. The cost of inventories is measured using the average cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

3.7.1 Financial assets

The Group classifies its financial assets into one of the categories: fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and either the Group has transferred substantially all risks and rewards of ownership or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset. The derecognition takes place even when the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.

As at the reporting dates the company only holds loans and receivables which are recorded at amortized cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant range of changes in value.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers on an individual basis due to the specific business relationship. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statements of comprehensive income.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statements of financial position.

3.7.2 Financial liabilities

The Group classifies its financial liabilities into one of two categories: fair value through profit or loss and other financial liabilities, depending on the purpose for which the liability was acquired.

All financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

As at the reporting dates, the Group's financial liabilities comprise trade and other payables and borrowings.

Trade payables and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the periods of the borrowings using the effective interest method.

3.7.3 Equity

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. Equity evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3.8 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

As far as cash outflow for a liability is expected only after more than one year, the provisions are recognized at the present value of the cash outflows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.9 Employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and nonmonetary benefits are recognised as an expense in the year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

3.10 Taxation

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the consolidated statements of comprehensive income comprise current tax and deferred tax.

(i) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the consolidated statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

(b) Other taxes

The Group's sale of goods in the PRC are subjected to value-added tax ("VAT") at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use right tax, recoverable from, or payable to, the taxation authority is included as part of "trade and other receivables" or "trade and other payables" in the consolidated statements of financial position respectively in line with the requirements in the PRC.

Revenue, expenses and assets are recognised net of the amount of VAT except where:

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

Land use right tax and other taxes are not based on taxable profits and are recognised within the administrative and general expenses in the consolidated statements of comprehensive income.

(c) Tax surcharges

The tax surcharges include educational surcharges ("ES"), local educational surcharge ("LES") and urban construction and maintenance fees ("UCMF"). The applicable ES, LES and UCMF rates vary depending on local practices. For JFT, the ES, LES and the UCMF were imposed 3%, 2% and 5%, respectively, based on the total of VAT payment.

3.11 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which coincides with delivery of goods and services and acceptance by customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as it accrues on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, using the effective interest method.

(c) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the statement of comprehensive income as a profit over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the statement of comprehensive income as a profit over the expected useful life of the relevant asset by equal annual instalments.

3.13 Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development expenditures for an internally-generated intangible asset are recognized if all of the following conditions have been met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount recognized as an internally generated intangible asset is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria as above. Where no internally-generated asset can be recognized, the development expenditures are charged as expenses in the period in which they are incurred.

The Group is not able to differentiate between research and development because the processes are to a large extent integrated and therefore has not recognized an internally-generated intangible asset.

3.14 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset to its intended use or sales are in process and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

3.15 Related parties

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if a consolidated company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or when the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3.16 Operating segments

The Group has adopted IFRS 8 Operating Segments to report segment information. The segment information is prepared based on internal information that is regularly reviewed by the chief operating decision maker of the Group.

4. Adoption of new IFRSs

The Group has adopted all EU IFRSs that were effective on or before 1 January 2013 for the preparation of the consolidated financial statements for the financial years ended 31 December 2013.

Amendments to IAS 1- Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

Amendments to IAS 12 - Income taxes: Deferred tax recovery of underlying assets

The amendments create a rebuttable presumption that deferred tax on investment properties, and on property, plant and equipment measured using the fair value model or the revaluation method should be determined on the basis that its carrying amount will be recovered through sale. The amendments are to be applied to annual periods beginning on or after 11 December 2012.

Amendments to IAS 19 - Employee benefits

The main changes as a consequence of the revision of IAS 19 include the elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods Amendments to the timing of recognition for liabilities for termination benefits Employee benefits expected to be settled (as opposed to 'due to be settled') wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted.

Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendment deletes the fixed application date (01.01.2004) for the transition of national GAAP in IFRS. The fixed application date is substituted by a general expression referring to the date of conversion.

The amendment establishes rules for cases, where the entities functional currency was hyperinflationary before conversion into IFRS.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans

The amendments provide relief to first-time adopters by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAs 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

IAS 32 Financial Instruments: Presentation requires offsetting of financial assets and financial liabilities when certain criteria are met. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangement (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The disclosures should be provided retrospectively for all comparative periods.

IFRS 13 Fair Value Measurement

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

Annual Improvements to IFRSs 2009-2011 Cycle (issued by IASB in May 2012)

IFRS 1 - repeated application

The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in the past. An entity that does not elect to apply 1 must apply IFRSs retrospective as if there was no interruption.

IFRS 1 - borrowing costs

The amendments clarify that the borrowing costs capitalized under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalized at the transition date. Borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with IAs 23 borrowing costs.

IAS 1 - clarification of the requirements for comparative information

The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.

The amendments also clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. However, if additional comparative information is provided, the information should be presented in accordance with IFRSs, including related note disclosures of comparative information for any additional statements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements. However, the entity should present related note information for those additional statements.

IAS 16 - classification of servicing equipment

The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 1E and as inventory otherwise.

IAS 32 - tax effect of distribution to holders of equity instruments

The amendments clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 income taxes.

IAS 34 - interim financial reporting and segment information for total assets and liabilities

The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine. Under the interpretation, the costs from this waste removal activity (stripping), which provide improved access to are is recognized as a non-current asset when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 inventories. The stripping activitiy asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

This adoption did not result in changes to the Group's accounting policies and did not materially affect the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2013.

4.1 New IFRSs and Interpretations not adopted

The Group has not applied the following new and revised EU-IFRSs, that have been issued but are not yet effective, in these financial statements. The Group does not expect any material impact on the consolidated financial statements from the adoption of these amendments.

IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements 2
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 10-12 Amendment	Transition Guidance
IFRS 10/12, IAS 27 Amendment	Investment Entities
IAS 27 (revised)	Separate Financial Statements[2]
IAS 28 (revised)	Investments in Associates and Joint Ventures[2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[2]
IAS 36 Amendments	Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting

[2] Effective for annual periods beginning on or after 1 January 2014

The effects of the above described not yet effective standards on the consolidated financial standards were internally discussed. The standard will not have any material effect on the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2013.

Especially we do not expect material effects on the consolidated financial statements to arise from the first-time application of the standards on consolidation (IFRS 10, 11 and 12) and the resulting changes to IAS 27 and IAS 28.

5. Significant Accounting Estimates and Jdugements

5.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amount recognised in these consolidated financial statements.

5.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of the assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

(b) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation charge for the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes, which are consistent with the common life expectancies applied in the PRC. The depreciation and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate to the current market interest rates available to the Group based on its size and its business risk.

(f) Income tax

The Group's subsidiaries are subject to the PRC income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group believes that its subsidiaries' tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

6. Property, plant and equipment

kEUR	Buildings	Plant and machinery	Office equipment	Motor Vehicles	Store decoration	Construc-tion-in-progress	**Total**
COST							
At 1 January 2012	18,449	19,194	1,207	388	-	-	39,238
Additions	600	910	18	62	-	-	1,590
Translation adjustments	(159)	(171)	(10)	(4)	-	-	(344)
At 31 December 2012 and 1 January 2013	18,890	19,933	1,215	446	-	40,484	31,282
Additions	-	3,318	1,974	76	173	17,784	
Disposal	-	-	-	-	(97)	(97)	
Translation adjustments	(280)	(368)	(61)	(8)	(2)	(989)	-
At 31 December 2013	**18,610**	**22,883**	**3,128**	**514**	**74**	**11,973**	**57,182**
ACCUMULATED DEPRECIATION							
At 1 January 2012	3,015	5,638	677	147	-	-	9,477
Depreciation charge for the year	902	1,873	231	80	-	-	3,086
Translation adjustments	(37)	(73)	(10)	(3)	-	-	(123)
At 31 December 2012 and 1 January 2013	3,880	7,438	898	224	-	-	12,440
Depreciation charge for the year	903	2,116	221	70	110	-	3,420
Disposal	-	-	-	-	(97)	-	(97)
Translation adjustments	(77)	(157)	(18)	(5)	(1)	-	(258)
At 31 December 2013	**4,706**	**9,397**	**1,101**	**289**	**12**	-	**15,505**
CARRYING AMOUNT							
At 31 December 2012	15,010	12,495	317	222	-	-	28,044
At 31 December 2013	13,904	13,486	2,027	225	62	11,973	41,677

The construction-in-progress refers to the new factory for the extension of manufacturing capacity. Completion of this factory is expected at the end of 2014.

7. Land use Rights

kEUR	31.12.2013	31.12.2012
Carrying amount		
At 1 January	3,767	3,882
Additions	1,838	-
Depreciation charge for the years	(83)	(84)
Translation adjustments	(95)	(31)
At 31 December	**5,427**	**3,767**
Cost	5,861	4,125
Accumulated depreciation	(434)	(358)
Carrying amount	**5,427**	**3,767**

(a) The land use rights represent prepaid lease payments for land situated in the PRC. The Group are granted land use rights for a period of 50 years.

(b) The land use right represents also property plant and equipment.

8. Deferred Tax Assets

Deferred tax assets arise from the temporary difference between accounting and tax treatment with respect to government's grants and intercompany unrealised profits eliminated during group consolidation process. For further information, we refer to the Note 25.

9. Inventories

kEUR	31.12.2013	31.12.2012
At cost		
Raw materials	4,210	4,539
Work in progress	3,706	4,324
Finished goods	4,572	4,595
	12,488	**13,458**

An unscheduled write-down of inventories recognised as an expense in reporting period does not exist.

10. Trade and other Receivables

kEUR	31.12.2013	31.12.2012
Trade receivables	52,380	46,453
Other receivables	887	786
Total financial assets other than cash and cash equivalents classified as loans and receivables	53,267	47,239
Advance payments to suppliers	243	224
Total trade and other receivables	**53,510**	**47,463**

(a) The fair values of financial assets other than cash and cash equivalents classified as loans and receivables approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(b) Trade receivables are non-interest bearing and the normal trade credit term granted by the Group is from sixty (60) days to ninety (90) days.

(c) Advance payments to suppliers refer to prepayments for future supplies of raw materials.

(d) Information on financial risks of trade and other receivables are disclosed in Note 30 to the financial statements.

(e) The ageing analysis of trade receivables:

kEUR	**31.12.2013**	31.12.2012
Within 60 days	34,038	44,418
61 - 90 days	18,054	713
91 - 180 days	288	1,322
More than 180 days	-	-
	52,380	**46,453**

As at 31 December 2013, trade receivables of kEUR 288 were past due which aged more than 90 days but not impaired (31 December 2012: kEUR 2,035 with an age over 60 days).

(f) The currency exposure profile of receivables are as follows:

kEUR	**31.12.2013**	31.12.2012
Renminbi	52,517	46,452
Euro	45	19
US Dollar	948	992
	53,510	**47,463**

11. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

kEUR	**31.12.2013**	31.12.2012
Cash and bank balances	71,951	49,509

a) Information on financial risk of cash and cash equivalents are disclosed in Note 30 to the consolidated financial statements.

b) The amount of cash and cash equivalents used in the cash flow statement does not differ from the amount presented in the balance sheets.

c) The currency exposure profile of cash and cash equivalents are as follows:

kEUR	31.12.2013	31.12.2012
Renminbi	71,888	47,742
US Dollar	17	71
Euro	44	1,693
Hong Kong Dollar	2	3
	71,951	**49,509**

12. Share Capital

The Company was founded on 21 July 2011 and completely registered on 23 May 2012 with the authorized share capital of EUR 10,000,000 which is divided into 10,000,000 no par value ordinary bearer shares each with a notional value in the share capital of EUR 1. On 8 November 2012, the Management Board and the Supervisory Board resolved to implement the capital increase in an amount of EUR 1,800,000. Upon registration with the commercial register on 9 November 2012, the share capital of the Company was increased to EUR 11,800,000 in total. Reference is also made to Note 1 for further information.

13. Reserves

Reserves	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the consolidated statements of comprehensive income.
Capital reserve	Capital reserve arises from the difference between gross proceeds from the IPO and the nominal value of the shares issued by the Company, IPO costs allocated directly to equity.
Currency translation reserve	Currency translation reserve represents the foreign currency translation difference arising from the translation of functional currency RMB to the reporting currency EUR.
Consolidation reserve	The consolidation reserve arises from the non-distributable reserves of JFT, capital contributed from conversion of the convertible bonds, the purchase consideration waived from the reorganisation exercise and the difference between the nominal value of the shares issued by the Company in exchange for the entire shareholding in Firstextile Hong Kong.

14. Borrowings

kEUR	Note	31.12.2013	31.12.2012
Current liabilities			
Short term bank loans – unsecured	14(a)	30,669	29,427

Details of the unsecured short term bank loans with guarantees are as follows:

kEUR	31.12.2013	31.12.2012
Personally guaranteed by:		
Third party corporation	30,669	29,427

(a) Information on financial risks of borrowings is disclosed in Note 30 to the consolidated financial statements.

(b) All borrowings are denominated in RMB.

15. Trade and other Payables

kEUR	31.12.2013	31.12.2012
Trade payables	17,278	10,813
Other payables	721	434
Total financial liabilities, excluding loans and borrowings, dividend payables, and advances from a shareholder classified as financial liabilities measured at amortised cost	17,999	11,247
Advance payments from customers	796	179
Value-added tax payable	193	411
Accrued expenses	5,458	2,135
Total trade and other payables	**24,446**	**13,972**

(a) The fair values of trade and other payables classified as financial liabilities measured at amortised cost approximate their carrying amounts due to the short term maturity of the financial instruments.

(b) Trade payables are non-interest bearing and the normal trade credit term granted to the Group is sixty (60) days.

(c) Advance payments from customers refer to prepayments for future deliveries of products.

(d) Information on financial risks of trade and other receivables are disclosed in Note 30 to the financial statements.

(e) The currency exposure profile of payables are as follows:

kEUR	31.12.2013	31.12.2012
Renminbi	24,194	13,765
Euro	252	207
	24,446	**13,972**

16. Advances from a Shareholder

kEUR	31.12.2013	31.12.2012
Mr. Yang	-	301

The advances from a shareholder represent loan provided by a shareholder, which was unsecured, non-interest bearing and repayable on demand. At the balance sheet date of the financial year 2013, there are no advances form the shareholder, the repayment rook place in 2013.

17. Current Tax Liabilities

kEUR	31.12.2013	31.12.2012
Balance at beginning of the years	3,115	2,342
Current year provision (Note 25)	7,361	5,650
Income tax paid	(6,433)	(4,846)
Translation adjustments	(67)	(31)
Balance at end of the years	**3,976**	**3,115**

18. Revenue

Revenue represents solely sale of products. The following table provides a breakdown of revenues for the financial years:

kEUR	**31.12.2013**	31.12.2012
Revenue from sales of:		
Fabrics	136,550	113,325
Uniforms	33,433	46,694
Branded products	30,311	19,529
	200,294	**179,548**

19. Cost of Sales

Cost of sales comprise of raw materials consumed for production, direct labour costs for personnel employed in the production, utility, outsourcing and production overheads incurred for the production, movements in inventories of finished goods and work in progress and tax surcharges.

The following table provides a breakdown of cost of sales for the financial years:

kEUR	**31.12.2013**	31.12.2012
Materials consumed	103,582	96,545
Direct labour costs	2,111	1,756
Utility costs	3,229	3,449
Production overheads	7,863	6,593
Cost of contract manufacturing	17,172	17,967
Movements in inventories - finished goods and work in progress	521	(4,109)
Tax surcharges	1,059	916
Cost of sales for the financial years	**135,537**	**123,117**

20. Other Income

Other income comprise of government rewards and incentives received and others. The following table provides a breakdown of other income for the financial years:

kEUR	**31.12.2013**	31.12.2012
Government rewards and incentives	-	12
Pattern grading fee	308	285
Other income for the financial years	**308**	**297**

21. Distribution and Selling Expenses

Distribution and selling expenses comprise commission charged by department stores, exhibitions and conferences, advertising, staff salaries, entertainment, transportation and other miscellaneous expenses in connection to sales activities. The following table provides a breakdown of distribution and selling expenses for the financial years:

kEUR	31.12.2013	31.12.2012
Commission charged by department stores	741	-
Advertising	986	791
Salaries	6,552	3,646
Entertainment	278	263
Transportation	503	677
Others	562	316
Distribution and selling expenses for the financial years	**9,622**	**5,693**

22. Administratvie and General Expenses

Administrative and general expenses comprise staff costs for management and other employees with administrative functions, depreciation and amortisation charges, utilities costs, travel expenses, entertainment expenses and other miscellaneous office expenses incurred for administrative purposes, fines and donations, other taxes and certain IPO costs (2012: kEUR 3,000) allocated to profit and loss.

23. Research and Development Expenses

Research and development expenses comprise staff costs for employees with R&D functions, materials consumed for R&D activities, depreciation charges, testing and examination expenses and other miscellaneous office expenses incurred for R&D purposes.

24. Net Finance Costs

Recognised in consolidated statement of comprehensive income

kEUR	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Finance income		
Interest income on bank deposits	213	159
Total finance income	**213**	**159**
Finance costs		
Interest expense on short term loans	1,751	2,031
Net foreign exchange loss (gain)	104	(102)
Total finance costs	**1,855**	**1,929**
Net finance expense recognised comprehensive statement of comprehensive income	**1,642**	**1,770**

25. Tax Expenses

kEUR	31.12.2013	31.12.2012
Tax expense based on profit for the financial years		
current tax	7,361	5,650
deferred tax (credit) debit	(190)	2
	7,171	**5,652**

Tax expense for respective taxation authorities are calculated at the rates prevailing in these jurisdictions. During the financial years ended 31 December 2013, the applicable enterprise tax rate for the respective consolidated entities is as follows:

(I) Firstextile AG 31.9 %

(II) Firstextile Hong Kong 16.5 %

(III) JFT 15.0 %

(IV) JFB 25.0 %

The tax rate for Firstextile AG is calculated taking into account the trade tax of its current place of incorporation. JFT as a foreign-invested entity was granted tax exemption for two financial years after foundation (2008, 2009) and a reduced tax rate of 12.5 % for subsequent three financial years (2010 – 2012). Details on the granted tax benefits are shown in the following table:

Applicable enterprise tax rates	Tax exemption years (0 %)	Reduced tax rate years (12.5 %)
JFT	2008 - 2009	2010 - 2012

In September 2010, JFT was awarded the status as a so-called "High and New Technology Enterprise" on a provincial level for a period of three years entitling it to a reduced income tax rate of 15 % subject to the approval by the competent tax authority. As the preferential tax treatment as a High and New Technology Enterprise cannot be combined with the above metioned tax benefits resulting from the status as a foreign invested enterprise, the status as High and New Technology Enterprise was without effect on JFT's applicable tax rate before the financial year 2013. In October 2013, JFT was awarded the status as a High and New Technology Enterprise on a national level for a period of three years. Therefore, JFT continues to benefit from a preferential tax treatment as a High and New Technology Enterprise upon the approval of relevant tax authority

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

kEUR	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Earnings before tax	40,090	38,184
Expected income tax at a tax rate of 25 %	10,023	9,546
Tax effects in respect of:		
Non-allowable expenses	1,746	1,024
Unused tax losses not recognised as deferred tax assets	243	992
Tax incentives	(4,841)	(5,910)
	7,171	**5,652**

The statutory tax rate of 25 % applicable for P.R. China is the suitable tax rate for a tax reconciliation, because the taxable activities of the Group take largely place in the People's Republic of China.

There are tax loss carryforwards in the amount of kEUR 2,039 (2012: kEUR 1,796), which have not been recognized as deferred tax assets for reasons of impairment due to negative forecast. The losses can be carried forward without timeframe.

The deferred taxes relate to the following balance sheet positions and issues:

kEUR	**31.12.2013**	31.12.2012
Landusing right	93	96
Inventories	188	0
Deferred tax in the balance sheet	**281**	**96**

26. Earnings per Share

Basic earnings per share for the fiscal year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the time-weighted average number of ordinary shares outstanding during the financial year.

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Profit for the financial year attributable to equity holders (kEUR)	32,919	32,532
Weighted average number of ordinary shares outstanding ('000)	11,800	10,256
Basic earnings per share (EUR)	**2.79**	**3.17**

Diluted earnings per share for the fiscal year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the time-weighted average number of ordinary shares outstanding during the financial year, adjusted for the effects of dilutive potential ordinary shares. Diluted earnings per share for the fiscal year is equal to basic earnings per share for the fiscal year as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

27. Employee Benefits

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Wages and salaries	5,831	4,342
Social security contributions	703	621
	6,534	**4,963**

Included in the employee benefits of the Group are Director's remuneration as follows:

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Salaries and allowances	279	252

The average number of people employed during the year is as follows:

	2013	2012
Management and administration	82	80
Sales, marketing and procurement	158	120
Research and development	40	38
Production and quality assurance	549	505
	829	**743**

Retirement Benefit Plans

The eligible employees of the Group - who are PRC citizens - are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefit contributions charged to the consolidated statements of comprehensive income in the years 2013 and 2012 amounted to kEUR 441 and kEUR 395 respectively.

28. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

In identifying the operating segments, the Chief Executive Officer generally follows the Group's product categories. The segments also represent the operating segments under IFRS 8. The Group has identified three operating segments, fabrics, uniforms and shirts. The fabric business comprises the production and sales of fabrics of different colours, patterns and qualities. The uniform business is the production and sales of uniforms for government institutions and state-owned enterprises. The shirt business comprises the fabrication and sale of shirts.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

This report uses the term Branded Products to describe a segment that previously was referred to as the Shirts segment. This change is only in wording, but not in content. The segment previously referred to as Shirts segment and now as Branded Products segment comprises shirts sold under the brands "VARPUM" and Firstextile. Furthermore this segment contains branded products like suits, jackets, pants, sweaters, t-shirts, shoes and other accessories. This has been the same in 2012; therefore previous year segment information does not require any adjustment.

Except for the above mentioned change in terminology during the financial period under review, no changes have been made to the definition of the operating segments. The accounting policies of the operating segments are the same as those described in the consolidated financial statements for the financial year ended 31 December 2012.

Management currently identifies the Group's three product categories as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segmental gross margins. Segment gross profit is defined as extend sales and intersegment sales reduced by cost of sales.

kEUR	Fabrics	Uniforms	Branded products	Segment	Reconciliation	**Group Total**
Year ended 31 December 2013						
External revenue	136,550	33,433	30,311	200,294	-	200,294
Intersegment sales	3,128	-	-	3,128	(3,128)	-
Cost of sales	(101,635)	(26,413)	(10,617)	(138,665)	3,128	(135,537)
Gross profit	**38,043**	**7,020**	**19,694**	**64,757**	-	**64,757**
Reportable segment assets	93,057	2,332	11,399	106,788	-	106,788
Land use rights						5,427
Deferred tax assets						281
Other receivables						887
Cash and bank balances						71,951
Total group assets						**185,334**

kEUR	Fabrics	Uniforms	Branded products	Segment	Reconciliation	Group Total
Year ended 31 December 2012						
External revenue	113,325	46,694	19,529	179,548	-	179,548
Intersegment sales	8,341	-	-	8,341	(8,341)	-
Cost of sales	(90,334)	(36,963)	(4,161)	(131,458)	8,341	(123,117)
Gross profit	**31,332**	**9,731**	**15,368**	**56,431**	-	**56,431**
Reportable segment assets	64,878	18,053	5,248	88,179	-	88,179
Land use rights						3,767
Deferred tax assets						96
Other receivables						786
Cash and bank balances						49,509
Total group assets						**142,337**

The Group's revenues from external customers are divided into the following geographical areas:

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Geographical analysis of revenue		
Domestic	195,745	174,704
Overseas (export directly)	4,549	4,844
	200,294	**179,548**

Revenues from external customers in the Group's economic domicile, the PRC, have been identified on the basis of the internal reporting system, which is also used for VAT purposes. "Domestic" refers to sales to customers located in the PRC. "Overseas" (export directly) refers to sales to customers located outside the PRC.

Non-current assets, other than financial instruments, of the Group are all situated in the PRC.

29. Related Party Disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The relationship and identity between the Company and its related parties are as follows:

Identities of related parties	Relationship with the Group
Mr. Yang	CEO and shareholder of TECHCO International Ltd., which is the controlling party of Firstextile AG.
Yang GmbH & Co. KG	Controlling shareholder of the Company
Yang Verwaltungs GmbH	General partner of Yang GmbH & Co. KG
TECHCO International Ltd. (BVI)	Limited partner of Yang GmbH & Co. KG

(b) In addition to the transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related parties during the financial period:

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Fee charge by Yang GmbH & Co. KG		
Rental and manpower service	28	-

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Receivables from Yang GmbH & Co. KG	**18**	-
Payables to Yang GmbH & Co. KG	**2**	-

Receivables from Yang GmbH & Co. KG represent small operational expenses paid temporarily by the Group, which was unsecured, non-interest bearing and repayable on demand.

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial years was as follows:

kEUR	**1.1.2013 to 31.12.2013**	1.1.2012 to 31.12.2012
Wages and salaries	613	415
Contributions to defined contribution plans	10	5
	623	**420**

The compensation of key management personnel included only fixed compensation. In the years 2012 and 2013 no variable compensation was granted. Key management personnel are not entitled to compensation components in the event of termination of their employment.

30. Risk Management Objectives and Policies

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, credit risk, liquidity risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

30.1 Market risk

(i) Foreign currency sensitivity

Most of the Group's transactions are carried out in RMB. Exposures to currency exchange rates arise from the Group's overseas sales, which are primarily denominated in US dollars (USD). The Group also holds cash balances and other payables denominated in US dollars. During the course of the period, the average balances held were immaterial and were not hedged.

The Group does not currently actively take measures to mitigate its exposure to foreign currency risk in sales.

Furthermore the Group prepares its financial statements in EUR O as the reporting currency and therefore its results and net assets are exposed to retranslation risk as a result of fluctuation in the RMB / EUR O exchange rate.

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and USD / RMB exchange rate with all other factors being constant.

It assumes a + / - 10 % change of the USD / RMB average exchange rate for the twelve (12) months' period for the financial years under review respectively. This percentage has been determined based on the average market volatility in exchange rates during the financial year ended 31 December 2013. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RMB had strengthened against the USD by 10 % then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2013	(99)	(99)
31 December 2012	(108)	(108)

If the RMB had weakened against the USD by 10 % then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2013	99	99
31 December 2012	108	108

Exposures to foreign exchange rates vary during the financial years depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(ii) Interest rate sensitivity

The Group's policy is to minimise the interest rate cash flow risk exposures on short-term financing. As at 31 December 2013, the Group is exposed to changes in market interest rates through short-term bank borrowings being renewed at interest rates different to those currently in place. The exposure to interest rates for the Group's funds deposited with banks is considered to be immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 2%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each reporting period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

If the average market interest rates increased by 2% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2013	(627)	(627)
31 December 2012	(597)	(597)

If the average market interest rates decreased by 2% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2013	627	627
31 December 2012	597	597

30.2 Credit risk

Receivables may give rise to credit risk which requires the loss to be recognised if a counter party fail to perform as contracted. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

The Group's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, approximately 12% (2012: 33%) of the Group's trade receivables were due from 5 major customers who are uniform customers and garment manufacturers located in the PRC.

As the Group does not hold any collateral, the maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the consolidated statements of financial position.

In respect of the cash and bank balances placed with major financial institutions in the PRC, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

No impairment loss needed to be recognised in the profit or loss in respect of financial assets during the reporting periods.

The Group does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 10 to the consolidated financial statements.

kEUR	31.12.2013		31.12.2012	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Financial assets				
Cash and cash equivalents	71,951	71,951	49,509	49,509
Trade and other receivables	53,267	53,267	47,239	47,239
Total financial assets	**125,218**	**125,218**	**96,748**	**96,748**

30.3 Liquidity risk analysis

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. There is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Liquidity needs are monitored closely with any significant cash outflows being considered against prevailing liquidity position prior to it being committed.

The Group maintains cash to meet its liquidity requirements for a 30-day period at a minimum. Funding for long-term liquidity needs is additionally secured by the availability of credit facilities from financial institutions, which the management believes no significant difficulty to obtain given the past repayment record of the Group with the banks.

As at 31 December 2013, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

kEUR	Current		Non-current	
	Within 6 months	6 -12 months	1 to 5 years	Later than 5 years
Trade and other payables	17,999	-	-	-
Borrowings	23,423	7,972	-	-
Total	**41,422**	**7,972**	**-**	**-**

As at 31 December 2012, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

kEUR	Current		Non-current	
	Within 6 months	6 -12 months	1 to 5 years	Later than 5 years
Trade and other payables	11,247	-	-	-
Borrowings	14,095	16,324	-	-
Total	**25,342**	**16,324**	-	-

30.4 Capital management policies and procedures

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to ensure sufficient capital to achieve the Group's strategic goals; and

(iii) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, loans and cash and cash equivalents as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i. e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the financial years under review, the management monitored capital of the respective companies within the Group separately in a way that there would always be sufficient reserves in the equity for distribution of dividends. Upon the completion of the restructuring exercise and the IPO on the Frankfurt Stock Exchange in Germany, the Group also monitors capital using a gearing ratio. This gearing ratio will be net debt divided by total net debt and equity. A detailed calculation of the net debt is shown in the breakdown below:

kEUR	**31.12.2013**	31.12.2012
Borrowings	30,669	29,427
Cash and cash equivalents	(71,951)	(49,509)
Net debt	**(41,282)**	**(20,082)**
Net debt	(41,282)	(20,082)
Equity	126,243	95,522
Total net debt and equity	**84,961**	**75,440**

31. Remuneration Report

31.1 Compensation of Management Board members in 2012

In 2013, Mr. Guofeng Yang received a total compensation of EUR 102,900 (2012: EUR 74,040) for his services as CEO.

In 2013, Mr. Hao Cao received a total compensation of EUR 58,800 (2012: EUR 59,232) for his services as CFO.

In 2013, Mr. Yingjun Fu received a total compensation of EUR 58,800 (2012: EUR 59,232) for his services as COO.

In 2013, Ms. Xinxin Wang received a total compensation of EUR 58,800 (2012: EUR 59,232) for her services as Executive Director.

In total the management board received EUR 279,300 for its services in 2013 (2012: EUR 251,736).

All members of the management board received a fixed compensation and no performance-based compensation for their services. The compensation did not include long-term incentive components.

31.2 Compensation of Supervisory Board members

Function	Fixed annual remuneration in EUR	Variable remuneration	Attendance fee for board meeting in EUR [1]
Chairman of the Supervisory Board	30,000	n/a	EUR 1,000.00 for every physical meeting, which is increased to EUR 2,000.00 for members of the supervisory board who are not resident in Asia if a physical meeting is held in Asia and for the members that are resident in Asia if a physical meeting is not held in Asia.
Deputy Chairman of the Supervisory Board	20,000	n/a	
Ordinary member of the Supervisory Board	20,000	n/a	

[1] The attendance fee applies only if more than four board meetings are held per fiscal year.

The members of the supervisory board received the following remuneration:

kEUR	2013	2012
Dr. Yann Samson (since 21 June 2013)	15,000	-
Marco Eberhard Pabst (since 21 June 2013)	10,000	-
Chao Yu	19,000	4,500
Philipp Elick (until 20 June 2013)	53,333	26,667
Prof. Edgar Rosenberger (until June 2013)	33,333	16,667
Total remuneration	130,666	47,834

Every member of the Supervisory Board is entitled to reimbursement for expenses incurred for the purpose of his office. The Supervisory Board members are not entitled to any special benefits upon termination of their office.

32. Total Fees of the Auditor

BDO AG has been appointed as auditor of the individual and consolidated financial statements of the company for the financial year 2013. The following table shows the billed total fees of BDO AG and BDO China recognised in the financial year:

kEUR	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Fees for financial statement audit services	198	199
thereof BDO China	98	99
Fees for other assurance services	60	52
thereof BDO China	0	0
Fees for other services	0	75
thereof BDO China	0	0
	258	**326**

33. Capital Commitment

kEUR	31.12.2013	31.12.2012
Property, plant and equipment		
Contracted but not provided for	2,750	-

34. Significant Events after the Reporting Date

There have been no events between 31 December 2013 and 28 April 2014, that would require an adjustment to the carrying amount of the assets and liabilities or that would need to be disclosed on this heading.

35. Declaration of Compliance with the German Corporate Governance Code

The Management Board and Supervisory Board jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 25 April 2014, and made it accessible to shareholders on the company's website at www.firstextile.de within the Investor Relations section.

RESPONSIBILITY STATEMENT

To the best of our knowledge, we declare that, according to the principles of proper consolidated reporting applied, the consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the consolidated management report presents the company's business including the results and the company's position such as to provide a true and fair view as well as a description of the principal opportunities and risks associated with the company's expected performance.

Frankfurt am Main, April 28, 2014

The Managing Board




Guofeng Yang	Hao Cao	Yingjun Fu	Xinxin Wang
CEO	CFO	COO	Executive Director

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Firstextile Aktiengesellschaft, Frankfurt am Main, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Hamburg, April 28, 2014

BDO AG Wirtschaftsprüfungsgesellschaft

Dr. Zemke
Wirtschaftsprüfer
(German Public Auditor)

pp. Sichting
Wirtschaftsprüfer
(German Public Auditor)

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Forward looking Statements, outlook and information

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report from page 45 to 49. We do not assume any obligation to update the forward-looking statements contained in this report. In addition, we would like to point out that rounding differences can result from the use of rounded amounts and percentages in accordance with the commercial rounding practices. Basis for the calculation of the percentage changes are in thousands rounded amounts.

Firstextile