HOFTEX GROUP
TEXTILE TECHNOLOGIES

ANNUAL REPORT

2021

KEY FIGURES for the Hoftex Group

		2021	2020	2019	2018	2017
External sales	EUR million	137.9	139.3	171.1	174.1	182.6
Gross revenue	EUR million	138.5	138.9	166.8	173.6	181.0
Gross profit [1]	EUR million	71.8	74.7	83.0	86.4	88.7
Cash flows from operating activities	EUR million	6.2	19.8	19.2	18.4	16.3
Employees		1,037	1,053	1,136	1,197	1,220
Capital expenditure on tangible fixed assets	EUR million	9.3	8.0	14.6	11.7	8.8
Depreciation, amortisation and write-downs	EUR million	11.8	11.3	11.3	10.5	10.6
Result current year	EUR million	3.7	3.1	2.7	8.0	6.8
Earnings per share	EUR	0.7	0.6	0.5	1.5	1.3
Cash flows	EUR million	14.3	11.7	11.5	17.0	15.0
EBITDA	EUR million	16.4	15.5	15.4	20.8	20.4
Net senior debt to EBITDA ratio	x-fold	0.6	0.6	1.2	1.0	1.9
Dynamic debt-equity ratio [2]	years	2.9	3.6	4.5	3.4	5.1
Balance sheet total	EUR million	168.3	176.7	182.8	194.3	188.6
of which tangible fixed assets	EUR million	97.2	98.6	102.7	98.1	92.8
balance-sheet equity	EUR million	113.5	107.6	107.8	105.8	98.0
economic equity [3]	EUR million	112.8	106.8	107.0	104.4	96.8
Equity ratio [4]	%	67.0	60.4	58.5	53.7	51.3

1) Gross revenue less cost of materials

2) Debt capital less cash and cash equivalents/cash flow

3) Balance-sheet equity + extraordinary items less proposed dividend payment

4) Based on economic equity

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Supervisory Board Report

SUPERVISORY BOARD REPORT

During the 2021 fiscal year, which was largely shaped by the ongoing COVID-19 pandemic along with material and supply shortages, the HOFTEX GROUP AG Supervisory Board played an advisory and supervisory role for the Management Board in all key transactions and strategic decisions relating to the company and the Group, as stipulated in the German Stock Corporation Act, the Articles of Association and the Board's internal rules and procedures. With timely, comprehensive written and oral reports, the Management Board regularly updated the Supervisory Board on the Group's business developments and financial position as well as its divisions, principal subsidiaries and key projects. The Supervisory Board also played a key role in the Group's investment, financial and personnel planning through regular reporting on issues such as order intake, staff development, sales, cash flows, earnings performance, variance analyses (forecasts vs. actual results) and the current cash position, all of which were reviewed in detail by the Supervisory Board.

During its meetings, the Supervisory Board dutifully reviewed all measures and transactions requiring its approval and discussed them in detail with the Management Board.

In addition to regular reporting from the Management Board at Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Management Board and received updated information on current conditions and all key transactions.

During the year under review, the Supervisory Board met for four regular meetings. Due to the ongoing effects of the COVID-19 pandemic, the Supervisory Board was once again compelled to hold all of its meetings in virtual form. No extraordinary meetings were convened. The Supervisory Board reported a consistently high participation rate again this past fiscal year. With the exception of one meeting, for which one member was excused, all members of the Supervisory Board attended each meeting. The personnel committee met once during the period under review to pass a resolution. The meeting was held in virtual form. The Supervisory Board did not form any additional committees during the reporting period.

During the meeting on 26 March 2021, the Supervisory Board first discussed regular submissions with the Management Board. The Management Board's presentation of current business development included information on increasing difficulties with the supply of raw materials due to disruptions in the supply chains, which is reflected in both delayed delivery times and a rise in commodity prices. The agenda also included the resolution on an investment to expand the Tenowo location in Mittweida. The Board also approved the Management Board's resolution to hold the Annual General Meeting on 9 July 2021 as a virtual meeting in accordance with the provisions of the COVID-19 Act and the provisions on the shareholders' right to ask questions outlined therein.

At the 17 May 2021 meeting, the Supervisory Board performed an in-depth review of the annual financial statements and audit reports as of 31 December 2020 for HOFTEX GROUP AG and the Group. The agenda for the Annual General Meeting was also approved, along with the various resolution proposals. Another agenda topic was the Management Board's regular reporting on current business development with a focus on the figures for the first quarter of 2021. The Management Board also provided detailed information on cash flow in the Hoftex Group and plans for follow-up financing for the *Schuldscheindarlehen*, or bonded loan contracts, which are valued at EUR 12.5 million at the end of 2021.

The meeting on 27 September 2021 centred on the current business performance as of August 2021 with an emphasis on the two divisions Tenowo and Neutex. In addition to the Management Board's report, Tenowo's management provided information on the flood event that occurred in July 2021, which resulted in significant damage to Plant 1 at the nonwovens site in Hof. The ability to shift part of the of the resulting missing production capacities to other plants and locations in a timely manner helped us avoid major delivery delays. Further items on the agenda included a presentation on the further development of the existing risk management system as well as the approval of the Board to enter into negotiations with banks on syndicated loan financing.

In the final meeting of the fiscal year on 13 December 2021, the Management Board presented the Group's current business performance as of October 2021, the projected results for 2021, the Group's plans for the 2022 fiscal year and the investment budget for 2022 including the investment forecast for 2023 to 2024. After reviewing them in detail and discussing their inherent opportunities and risks with the Management Board, the Supervisory Board approved the plans. The Supervisory Board also adopted the proposed investment budget for the 2022 fiscal year. In addition, the Supervisory Board approved the signing of a syndicated loan agreement.

The Annual General Meeting appointed Munich-based Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft as auditors of the single-entity and consolidated financial statements for fiscal 2021. They audited the HOFTEX GROUP AG financial statements and the consolidated financial statements for the year ending 31 December 2021 as well as the Group Management Report, the accounting system and the accounting-related internal control system and issued them with an unqualified audit certificate. Upon completion, all audit reports were immediately sent to the members of the Supervisory Board.

The company's auditors were present at the 16 May 2022 annual report meeting of the Supervisory Board, during which they engaged in an in-depth discussion of the HOFTEX GROUP AG financial statements and the consolidated financial statements for the year ending 31 December 2021, as well as the Group Management Report, the Management Board's proposal for the appropriation of the net retained profits and the audit reports. The Supervisory Board duly noted and approved the audit findings. Following its careful review of the single-entity and consolidated financial statements, the Group Management Report and the proposal for the appropriation of profits, no objections were raised. The Supervisory Board approved and thus adopted the annual financial statements prepared by the Management Board of HOFTEX GROUP AG as of 31 December 2021. The consolidated financial statements and the Group Management Report were also adopted. The Supervisory Board endorsed the Management Board's proposal for the appropriation of net retained profits.

The Management Board submitted to the Supervisory Board its report concerning the company's relationship with its affiliates in fiscal 2021 as stipulated by Section 312 AktG (subordinate status report) and the auditor's report on the same. The auditor issued the report with the following unqualified certification:

"Based on our duly performed audit and assessment, we hereby certify that:
1. the factual information contained in the report is accurate and
2. the consideration received by the company for each legal transaction disclosed in the report was not unreasonably high."

The Supervisory Board duly noted the report and the findings of the audit of the report, reviewed both reports and discussed the findings of each with the Management Board and the auditors. The Supervisory Board concurred with the findings of the audit of the subordinate status report prepared by the auditors.

At the end of the report, the Management Board declared that, based on the circumstances known to it at the time the legal transactions were made with these affiliates, the company received adequate consideration for each legal transaction and neither took nor refrained from taking measures at the request or in the interest of the controlling company. Based on the findings of these discussions and its assessment of the subordinate status report, the Supervisory Board raised no objections to this declaration.

The HOFTEX GROUP AG Supervisory Board and Management Board have the following changes to report:

Mr. York Riedel resigned from his position as a member of the Supervisory Board with effect from the end of the Annual General Meeting held on 9 July 2021. The Supervisory Board thanks Mr. Riedel for his many years of dedicated service on the HOFTEX GROUP AG's Supervisory Board. The Annual General Meeting elected Mr. Joseph Kronfli as the shareholder representative to the Supervisory Board for the remainder of the exiting member's term of office

There were no personnel changes in the composition of the Management Board in 2021.

Hof, May 2022

The Supervisory Board of HOFTEX GROUP AG

Tom Steger
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT FOR THE 2021 FISCAL YEAR

1. Group fundamentals

1.1. Business model

HOFTEX GROUP AG, established as the "Mechanical Cotton Spinning Mill in Hof" in 1853 with its registered office in Hof (Bavaria), is the parent company of an international group of companies operating in the textile industry. The Hoftex Group is among Europe's largest textile companies with a 170-year history in the global textile trade. During this time, the Group has grown in several stages from a conventional textile manufacturer to a diversified niche supplier of innovative textile products. Activities are organised in the HOFTEX, NEUTEX and TENOWO divisions, which specialise in the development, production and sale of innovative textile products for a wide range of applications. The companies of the Hoftex Group are active on three continents in six countries at a total of eleven manufacturing and sales locations, offering customers worldwide their services as a trusted partner.

The HOFTEX division represents the origins of today's Hoftex Group and offers dyed yarns and threads with a focus on applications for technical fabrics and apparel. Tailored to meet the needs of its customers, HOFTEX develops and dyes both traditional yarns and threads and numerous specialised yarns. The central location of its production and development facilities in Germany guarantees short lead times and on-schedule deliveries.

The NEUTEX division includes segments for weaving, dyeing and finishing of decorative fabrics. As a premium systems supplier operating on a global scale, NEUTEX manufactures and markets decorative fabrics as yard goods as well as ready-made household textiles. It also supplies innovative sun-protective textiles to industrial customers for further processing. The TENOWO division with sites in Europe, North America and China is a market leader in the development and manufacturing of innovative technical textiles and nonwovens, demonstrating that the modern textile industry in Germany can still achieve success. TENOWO develops and manufactures products such as nonwovens for a variety of uses in cars along with nonwoven textiles for the construction industry, the cable industry, for medical applications and the garment trade.

1.2. Group segments

The Hoftex Group is managed by strategic business units in the form of divisions in a decentralised structure. These are broken down by their specific manufacturing technologies and products in the HOFTEX (yarns), NEUTEX (home deco) and TENOWO (nonwovens) production divisions.

HOFTEX GROUP AG is responsible for the Group's global strategic direction in its role as the holding company. HOFTEX GROUP AG also performs largely service-oriented core duties for the Group's companies across multiple divisions. The production divisions shoulder and steer global responsibility for assigned products, production operations, markets and customers and are individually accountable.

With its nine members, the Supervisory Board advises the Management Board and oversees its management activities. The Supervisory Board must be consulted in all decisions material to the company, including evaluating the single-entity and consolidated financial statements and the Group Management Report. During the Annual General Meeting, the Chairman of the Supervisory Board presents the Supervisory Board's written report.

The Management Board comprises two members, while the divisions in the individual subsidiaries are run by their respective managing directors. The managing directors receive support from a management team that includes staff for sales, production/engineering and finance.

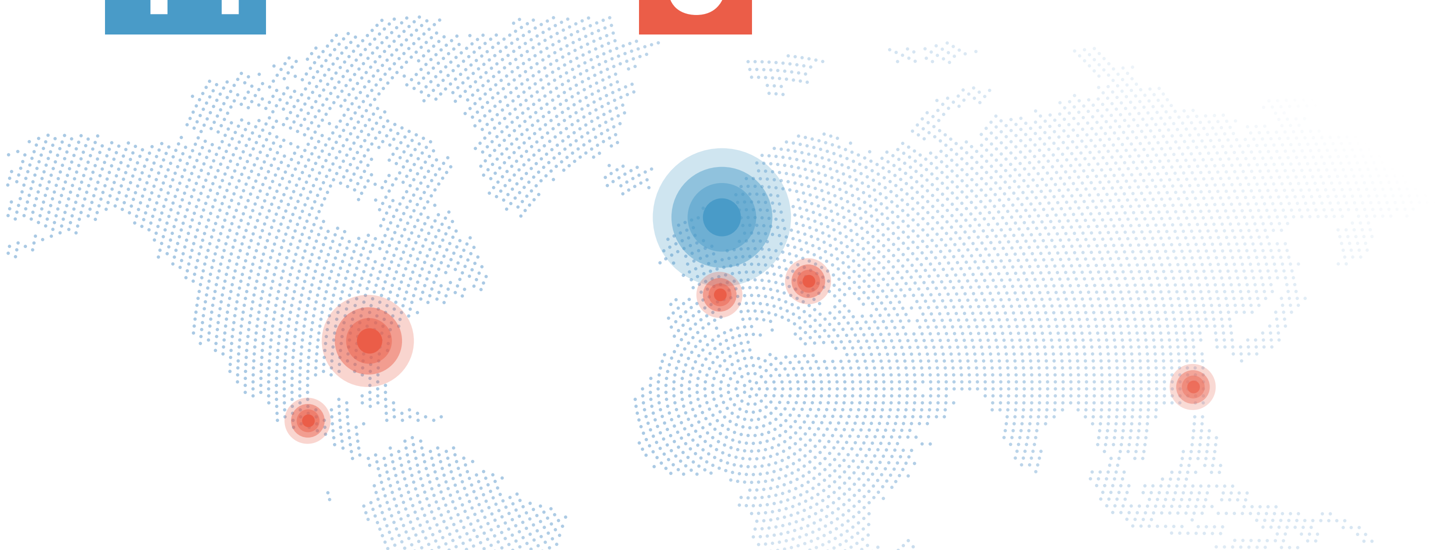
As of 31 December 2021 the Hoftex Group comprised 11 domestic (prior year: 13) and 5 foreign (prior year: 5) subsidiaries. The following chart provides an overview of the divisions and their locations:

HOFTEX GROUP – divisions and their locations

2021

11 **German** companies

5 **Foreign** companies



	TENOWO	NEUTEX	HOFTEX
Locations	Hof (DE), Reichenbach (DE), Mittweida (DE), Lincolnton (USA), Huzhou (CN), Milan (IT), San Luis de Potosi (MX)	Münchberg (DE), Targu Mures (RO)	Hof (DE), Selbitz (DE)
Sales in EUR million	115.4	13.0	7.5
Unit sales in millions	sqm 222.3	sqm 3.3	kg 1.3
Employees ø 2021	732	230	41

Fig. 1: Group Overview

1.3. Objectives and strategy

As a medium-sized, family-operated group of companies, the Hoftex Group's objective is to achieve sustainable, performance-based growth.

The various product and market structures require various competitive strategies. The divisional strategy with self-contained homogeneous business models correspondingly enables us to focus on individual markets and customer requirements. The strategic direction of the divisions is developed individually in the context of Group guidelines taking the diversified markets into account. The divisions expand their positions in existing markets by supplying innovative products with the highest possible quality. They also strive to broaden the product portfolio by cultivating new business sectors.

The TENOWO division intends to maintain its domestic and international market share while extending its global presence. TENOWO positions itself as a global supplier and partner for a variety of nonwoven applications, resulting in shorter development and delivery times for customers and providing a decisive advantage in international competition.

The NEUTEX division aims to expand its domestic and international market share in the decorative finished goods segment by expanding its digital sales channels.

The HOFTEX division will concentrate its sales efforts on the various regional markets to generate further growth and boost its profitability.

As a common corporate strategy in all divisions, growth is also targeted via the two main thrusts of innovative strength and customer orientation. The objective is to develop and market innovative products with a clear focus, thereby generating further growth. The focus on innovation and technology is implemented both within the scope of investment activities and research and development work.

We actively manage synergies by bundling the unique textile expertise available within the Group and fostering collaboration between divisions. Our organisation's focus on our customers' needs encompasses mutual development activities and ensures an optimum level of service in ongoing customer support.

Sustainability and climate protection is one of the most important issues of our time.

The use of recycled raw materials, substitution of environmentally hazardous substances and optimised, energy-efficient manufacturing steps help create greener, more sustainable products. As a result, customers of the Hoftex Group are secure in the knowledge that they have a trustworthy partner at their side, even over the course of a multi-year product cycle.

1.4. Control system

The key performance indicators decisive for corporate management include sales, EBITDA and total investments. The financial control system enables us to measure the achievement of division targets. Alongside the key performance indicators used for corporate management, other non-financial metrics are compared such as employees, seconds rates, energy consumption and on-time deliveries; however, these are not used in direct Group management. Managing directors in the divisions provide the Management Board with detailed reports on the development of key indicators and performance in regular Board meetings. This information enables the Management Board to implement measures to counteract unsatisfactory developments in a timely manner.

1.5. Research and development

We view research and development activities in innovative textile solutions as an additional building block in our strategy of positioning the Group as a global supplier and partner. These activities centre on finding solutions that satisfy our customers' requirements, optimising methods and processes for more sustainable and efficient management and identifying new fields of application and markets for our products. And partnerships with research facilities and institutes are just as important a factor in this as our joint development work with customers. We focus on delivering customers optimum products that meet high quality standards at competitive prices. Our application-oriented sales staff define specific customer requirements early on to ensure they are incorporated into development work on established products and new advancements.

Our collaboration partners include the Hof University of Applied Sciences, the University of Bayreuth, the Saxon Textile Research Institute Chemnitz, Dresden University of Technology and RWTH Aachen, among others. Our development expertise and technological know-how is intelligently enhanced in collaborative projects.

Our research and development activities during the 2021 fiscal year also focused on the continuous further development of our products and manufacturing technologies.

Using recycled or biodegradable raw materials is becoming increasingly important.

The use of recycled carbon fibres to create nonwovens offers the TENOWO division a sustainable solution strategy for further processing this high-performance material. A special manufacturing process is used to develop nonwovens from recycled carbon fibres with unique properties in terms of strength and further processability to open up new fields of application and markets. The NEUTEX division focuses on design development, the use of new fibres and the advancement of additional product properties through various finishing processes. New products made from natural fibres, such as wool blends, expand the product portfolio of a separate ECO-Line, whose products are made from recycled or natural materials. NEUTEX is part of the SEAQUAL initiative and processes yarn made from plastic waste into new products, which helps protect our oceans.

A significant portion of development work is dedicated to technology advancement and process optimisation. During the 2021 fiscal year as well, we continued to push ahead with projects that help deliver process improvements and increase raw material and resource efficiency. The TENOWO division is continuously expanding its technological expertise in nonwoven production and offering access to new sales markets through entirely new or further developed nonwoven technologies.

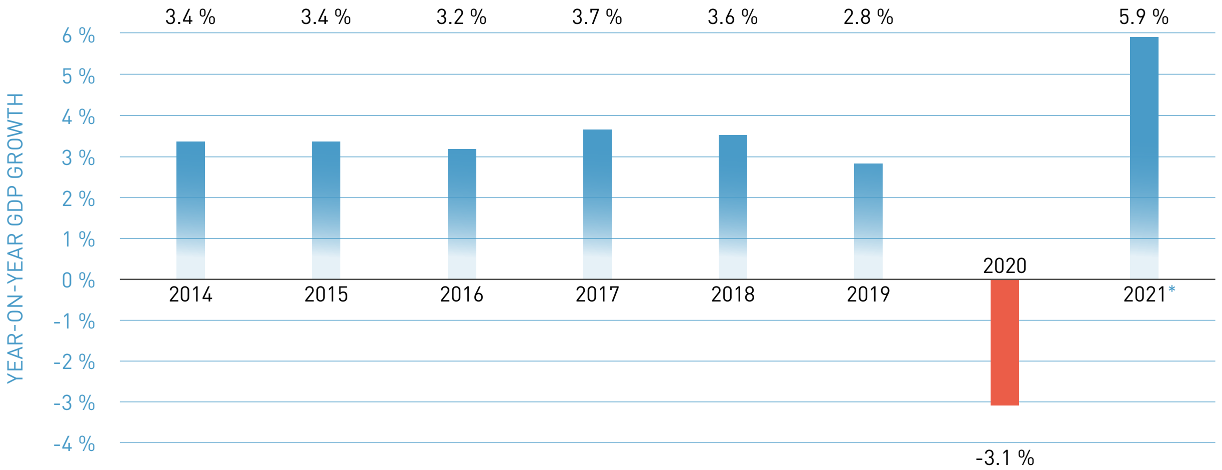
During the fiscal year just ended EUR 1.4 million (prior year: EUR 1.3 million) was spent on research and development. A total of 27 staff are employed in this division. Research and development activities are performed exclusively at Hoftex Group subsidiaries.

2. Economic report

2.1. Overall economic development

In 2021 the global economy entered a recovery phase in the wake of the deep, pandemic-induced recession in 2020 and recorded an increase of 5.9 % in global gross domestic product, according to estimates by the International Monetary Fund (IMF). Economic development varied across sectors and regions, which is mainly attributable to the various methods of handling the COVID-19 crisis. The manufacturing industry saw an uptick in economic activity, whereas trade and service sectors continued to struggle with restrictions in many regions. The recovery that had begun during the first half of the year slowed down again during the second half of the year due to global supply and capacity shortages. Inflation, the rising cost of energy and transport along with further waves of infection also weighed on the recovery forecast for 2021.

Growth in global gross domestic product (GDP) from 2014 to 2021 (compared to the prior year)



*) estimate

Source: Proprietary chart based on figures published by the IMF (WEO from Jan. 2022)

Fig. 2: Growth in global gross domestic product (GDP) from 2014 to 2021

Advanced economies experienced an economic recovery in 2021 and recorded an increase in economic output of 5.0 % (prior year: -4.5 %). However, the high growth rates are put into perspective considering that in 2020, the first year of the pandemic, advanced economies had to cope with dramatic losses in economic output and that by 2021 economic output in many countries had not yet reached the pre-crisis level of 2019. In the Eurozone, GDP grew by 5.2 %, following a decline of -6.4 % in the prior year. In an international comparison, Germany was quite slow to recover from the downturn in 2020 and, with a GDP of +2.7 % (prior year: -4.6 %), saw a lower growth rate than other European countries such as the UK (7.2 %), France (6.7 %), Italy (6.2 %) and Spain (4.9 %). However, these economies also suffered much more from the previous year's economic slump (Great Britain): -9.4 %, France: -8.0 %, Italy: -8.9 %, Spain: -10.8 %).

Other industrialised countries have also surpassed pre-crisis levels. With growth rate of 5.6 %, the US economy is roughly in line with the global average (prior year: -3.4 %). The People's Republic of China, which was the only major economy to grow in 2020,

confirmed its reputation as the engine of the global economy with a GDP growth rate of +8.1 % (prior year: 2.3 %), even though strict COVID policies, power outages and declining real estate investments led to a slowdown in the second half of the year. India's economy also picked up strongly again and was able to compensate for the prior year's slump of -7.3 % with an increased GDP of +9.0 %. Japan, the world's third-largest economy, recorded low GDP growth of only 1.6 % (prior year: -4.5 %). The Association of South-East Asian Nations (ASEAN) also saw below-average growth of +3.1 % (prior year: -3.4 %). The Russian economy recovered by +4.5 % (prior year: -2.7 %)

The global recovery from the crisis year 2020 led to a surge in demand, which caused problems in the global supply chain from spring 2021 that remain unresolved to date. As a result, material and logistics costs rose sharply during the year, which was reflected in rising consumer prices. Beginning in the third quarter, the inflation rate in Germany increased markedly and was over 5.0 % during the last two months of 2021. Over the year 2021 as a whole, the inflation rate in Germany was 3.1 %. The last time a higher annual inflation rate was recorded was almost 30 years ago (1993: +4.5 %)

2.2. Sector-specific conditions

The textile and fashion sector was one of the industries hardest hit by the pandemic and 2021 was marked by a sense of overcoming the crisis. Total sales in the German textile and fashion sector (for companies with 50 employees or more) were EUR 15.5 billion in 2021. The market report published by the "textile+mode" trade association thus recorded a 5.5 % increase in sales. However, it should be noted that the starting point was much lower – and 2019 levels have not yet been reached.

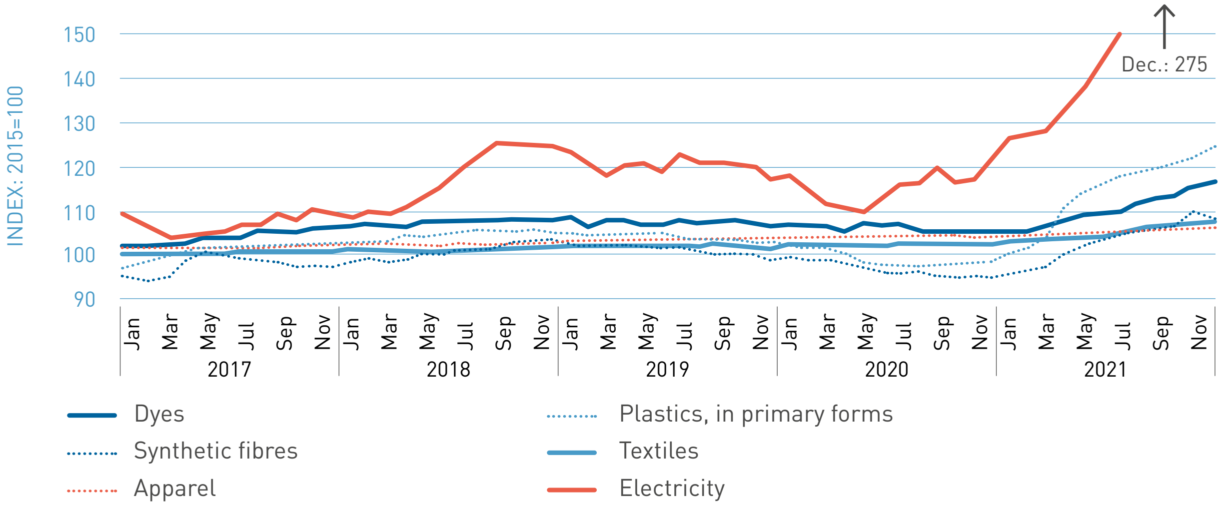
Sales, employment and export trends
in the textile and fashion sector in 2021

Source: Industry association "textile+ mode", February 2022

Fig. 3: Sales, employment and export trends in the textile and fashion sector in 2021

Sector recovery was clouded once again in the last quarter of 2021 due to increasing supply shortages and rising raw material and energy prices.

Price indices* for textile/clothing sales prices and key procurement prices



* Producer prices for domestic sales

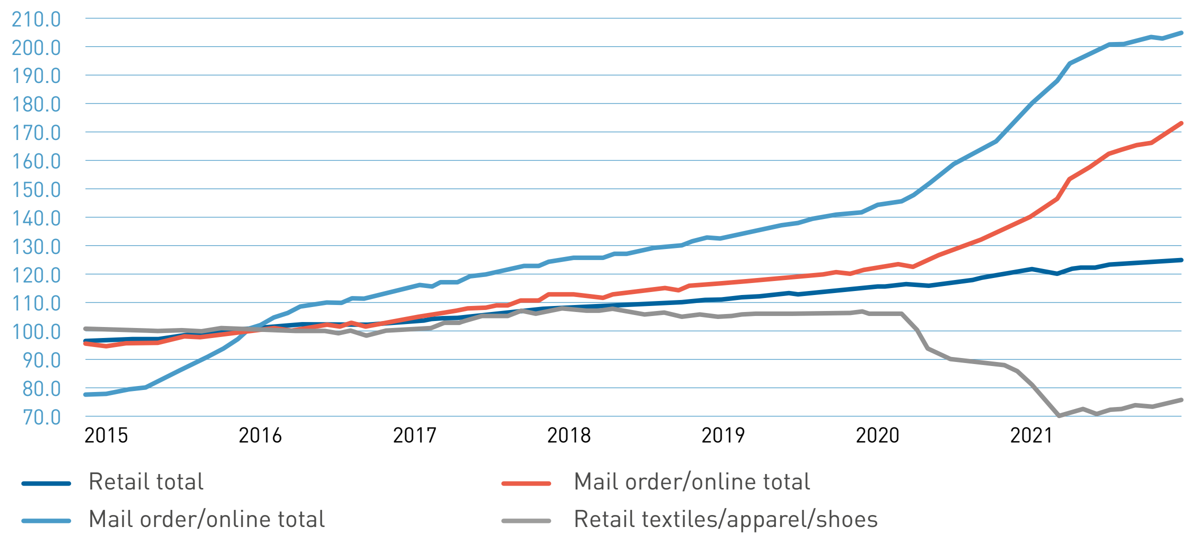
Source: Industry association "textile+mode", February 2022 market report

Fig. 4: Textile/clothing sales prices and key procurement prices

Both the textile and apparel segments increased their sales over the preceding year. The recovery was more pronounced in the textile segment with +6.9 % (prior year: -6.7 %) than in the apparel segment (+3.0 %), which was only able to partially compensate for previous year's losses of -19.0 %. In the textile segment, the spinning mill (+14.5 %), finishing (+13.7 %), technical textiles (+17.3 %) and other textile goods (+14.8 %) benefited the most. The nonwovens segment grew by 5.3 % in Germany. It should be noted that these figures refer to all applications, including hygiene products, for instance, which account for a large share of the market volume. However, some areas deteriorated even further, such as the carpet segment (-22.6 %) and the cordage segment (-10.0 %).

The only slight recovery in the apparel segment is a direct result of domestic and international lockdowns that lasted for weeks in 2021 due to COVID. Sales figures in clothing retail continued to decline over the year by -4.9 %. Online and mail order sales, on the other hand, grew by +23.2 %. This development was already apparent based on a review of long-term data and was disproportionately intensified by the pandemic.

Retail sales trends, Index: 2015=100



Source: Industry association "textile+mode", February 2022 market report

Fig. 5: Retail sales trends

Group Management Report
Economic report

The employment level in the German textile and fashion industry continued to decline sharply in the 2021 fiscal year, at -4.3 %, following the pandemic-driven slump in 2020 (-5.8 %). Workforces in the textile industry (-3,3 %) were less affected overall than those in the apparel industry (-6.5 %).

While the number of hours worked fell by -1.2 %, total wages and salaries rose slightly by +1.1 %.

Exports increased appreciably again in 2021 (+6.1 %) following the downturn during the previous year. While most goods are still sold within the European Union (+2.4 %), the upturn was mainly fuelled by demand outside the EU (+17.0 %). The US is a key export country outside the EU. Exports rose by 25.2 % here, while exports in the clothing segment rose by as much as 46.0 %. Business with Great Britain shows a clear decline in sales. Exports fell by 10.4 % due to the United Kingdom's withdrawal from the EU.

The automotive industry, which is one of the most important customer markets for the TENOWO division's nonwoven applications, managed to recover during the first half of 2021 following a decline in 2020 due to the pandemic. Nevertheless, the tense supply chain situation led to severe disruptions in production from the second quarter of 2021 onwards. Initial logistics issues were exacerbated by the semiconductor crisis and procurement shortages for additional raw materials and components. With a global car production of 80.2 million units, growth at 3.3 % was disappointing compared to the previous year. The pre-crisis level of 2019 (91.7 million units) remained out of reach. In Germany the semiconductor shortage led to severe disruptions at OEMs, which in turn led to reductions in production capacities. The weak production volume during 2020, a year marked by the COVID pandemic, was once again undercut by -12 % during the 2021 fiscal year, and Germany was only able to produce 3.3 million vehicles by the end of 2021.

Number of vehicles produced worldwide from 2000 to 2021 (in millions)

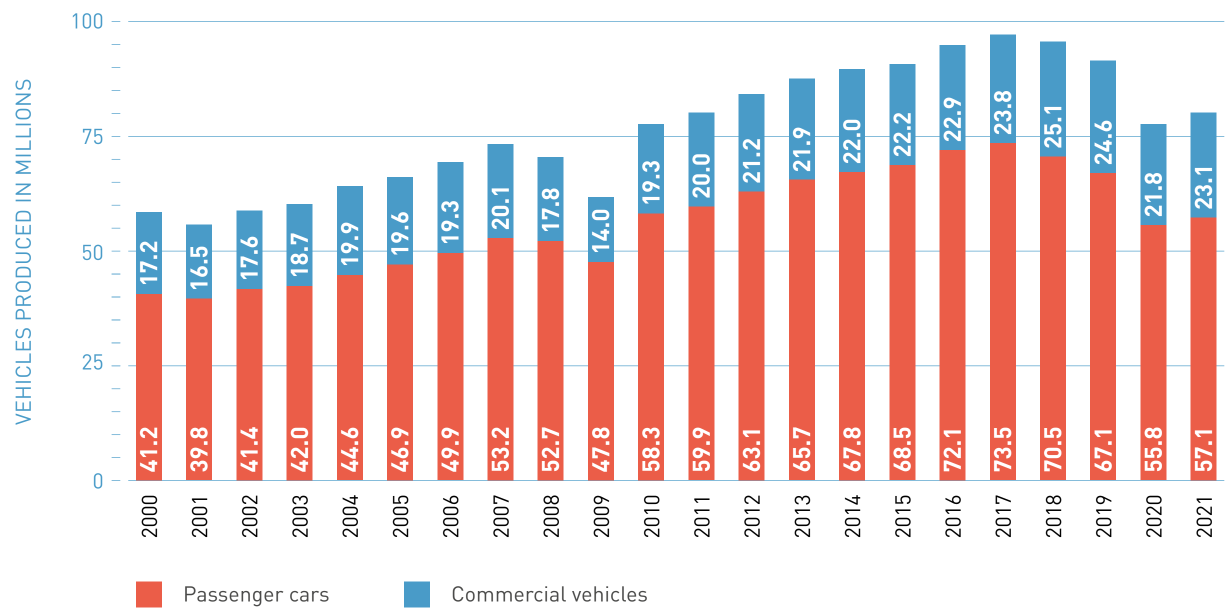


Fig. 6: Vehicle production worldwide to 2021

Source: Statista 2022, Vehicle production worldwide to 2021

2.3. Group performance

The 2021 fiscal year was once again dominated by the COVID pandemic, which also posed major challenges for the Hoftex Group. The second wave of the coronavirus pandemic, which began at the end of 2020 and led to weeks of lockdowns, not only had a negative impact on sales, but also put a significant strain on our organisation. Extensive hygiene and infection control measures were taken at an early stage and work-from-home policies were extended. With the help of company physicians, we were able to offer and carry out multiple vaccine campaigns for our employees. This also enabled us able to avoid site closures and major outages due to coronavirus outbreaks in 2021.

While the situation eased somewhat as the availability of vaccines increased over the course of the year, supply chain problems combined with procurement shortages and price hikes hit the economy as early as spring 2021 due to the global economic recovery. Our procurement strategy of worldwide supplier qualification has been in place for years, and it is the reason we succeeded in activating alternative sources of supply at short notice, so that we have not experienced any production downtime for availability reasons.

In the second half of the year, it became increasingly apparent that the global material and capacity shortages would likely continue on for longer, making recovery more difficult and placing increasing strain on the economy. The automotive industry was compelled to cut back on production due to the semiconductor shortage, which in turn led to a decline in orders in the Hoftex Group. At the same time, raw material and logistics prices continued to rise over the course of the year. The start of the fourth quarter issued in yet another price explosion – this time in energy costs. The rising costs could only be partially passed on to the market through sales price increases and it was thus not possible to fully compensate for the negative effects on profitability. As a result of the effects described above, the HOFTEX GROUP AG Management Board adjusted the forecast for the current fiscal year 2021 downwards in an ad hoc announcement dated 22 October 2021.

DIVISION

TENOWO

Following the dramatic drop in sales due to COVID-19 during the same period in the previous year, our largest division TENOWO was able to increase its sales during the first half of the year by 16.4 % to EUR 64.0 million (prior year: EUR 55.0 million). Automotive, the strongest segment, made the largest contribution to sales growth. This market began recovering as early as the second half of 2020 and continued to grow in 2021. Demand in other markets also saw a noticeable rise. Only the apparel sector, under which all of our nonwoven applications for clothing are subsumed, continued to feel the effects of the lockdowns that lasted well into spring and was unable to recover as planned. In the second half of 2021, however, persistent supply shortages in the procurement market had a growing impact on the automotive industry and thus on TENOWO's customers, which led to successive adjustments in call-off volumes. European automakers were particularly affected by the semiconductor crisis and reacted, among other things, by temporarily shutting down production capacities. In contrast, demand remained relatively constant in the US and Chinese markets, and we were able to achieve our sales targets.

The apparel segment, on the other hand, saw positive development as COVID restrictions were relaxed and lockdowns ended beginning in the second half of the year. This was undoubtedly also due to certain catch-up effects. Consumer goods also showed stable growth and has now become a cornerstone of TENOWO's product portfolio. Further expansion of the healthcare segment proved difficult due to limited travel opportunities, cancelled trade fairs and symposia, and it was not possible to achieve the envisaged growth in sales in a market that is relatively new for TENOWO.

TENOWO's production locations faced a special challenge in 2021 to compensate as much as possible for both the capacity fluctuations caused by the market and the COVID-related personnel losses. Phases of overutilisation, especially during the first half of 2021, were followed by phases of strong underutilisation from autumn last year. In some cases, short-time work was used in various locations – but not to the same extent as in 2020.

All of this was compounded by flood damage incurred in the summer of 2021, when some parts of Germany were hit by heavy rain storms and the city and district of Hof, where several Hoftex Group production facilities are located, were also affected. A TENOWO production hall at the Hof headquarters was flooded. The building along with the equipment and machines were severely damaged. The clean-up took several weeks. All capacities are being recommissioned successively and this work was not yet complete by the end of the year, mainly due to delays in the delivery of machinery and a shortage of external service partners. Lost production capacity was largely compensated for by other TENOWO plants and locations as well as by external purchased goods. We were thus able to continue to supply the majority of our customer base.

Our investment projects were also affected by supply bottlenecks; these are below target for 2021 and the binder line project at the Hof location could not be completed as planned. In addition, our technical department was primarily deployed to recommission the facilities damaged by the flood and was therefore not fully available for further projects.

The large number of unforeseen developments and events over the past twelve months led to extremely volatile performance for the TENOWO companies. In this challenging environment, TENOWO generated annual sales of EUR 115.4 million, which is lower than the previous year's sales (EUR 117.3 million). Taking into account the forecast adjustments during the year, TENOWO nevertheless achieved the expected divisional result, which was below the previous year's level.

DIVISION

NEUTEX

NEUTEX continued to work hard on its market strategy, moving away from its role as a traditional supplier of decorative fabrics to become a multi-channel supplier for innovative, customisable curtain solutions. NEUTEX expanded its ECO collections through various partnerships. NEUTEX is always improving its processes to conserve resources and ensure sustainable operations. Last year the company succeeded in receiving its STeP by OEKO-TEX® (Sustainable Textile & Leather Production) certification. However, development and sales activities did not lead to the expected increase in sales in 2021. The reason for this was the second wave of COVID, which resulted in an additional, weeks-long lockdown beginning in December 2020. Online retail sales rose yet again, but closures of brick-and-mortar stores had a negative effect on business overall. As restrictions eased beginning in May 2021, order intake rose during the second half of the year. Nonetheless, the anticipated catch-up effect from consumers failed to materialise and NEUTEX was unable to make up for sales losses in the first half of the year. Overall, annual sales in the division amounted to EUR 13 million and were thus not only below expectations but also below the previous year's figures (EUR 13.3 million). Due to capacity-related factors, NEUTEX had to flexibly adapt its production output to current order intake and took advantage of short-time work during phases when capacities were underutilised. Actively streamlining the product portfolio in close coordination with production and continuous process improvements led to slightly higher earnings compared with 2020, but this was still not enough to reach the break-even point.

DIVISION

HOFTEX

The 2021 fiscal year was satisfactory overall for the dyeworks. Development was sluggish in the largest customer segment, apparel, during the first half of the year due to the pandemic. However, by the second half of the year, demand was robust and rising, enabling the division to generate EUR 7.5 in sales, or around 14.0 % more than in the pandemic year 2020 (EUR 6.6 million). While capacities still had to be adjusted to the fluctuating order situation during the first half of the year, better capacity utilisation in the second half of the year led to more stable production. The Hoftex dyeworks is known for its high product quality and flexible delivery, which has made it a reliable partner for many customers. The dyeworks division was able to make a positive contribution to the Group result during the past fiscal year.

Alongside the operational dyeworks unit, the HOFTEX division also owns former production buildings. During the fiscal year just ended, we were able to sell a former spinning mill building in Hof's city centre. The profit of EUR 2.5 million generated has significantly enhanced the HOFTEX division's earnings, which has also had a major impact on the consolidated earnings of the Hoftex Group as a positive one-off effect. Hoftex GmbH still owns the commercial property in Drebach/Saxony, which is currently rented out and is not required for operations.

OTHER

Real estate company business went according to plan during the reporting year. Revenues from leasing the commercial properties Hof Moschendorf and Hof Fabrikzeile amounted to EUR 2.0 million, nearly reaching the previous year's level (EUR 2.1 million). Investments in fire prevention and modernisation at the commercial property at Fabrikzeile in Hof, which were already underway in 2020, were delayed by a few weeks due to delivery constraints and a shortage of skilled craftsmen, but are on schedule overall. The real estate division was also able to sell a plot of land in Hof that was not required for operations. The resulting profit of EUR 1.0 million led to an improvement in the real estate division's earnings as a one-off effect.

In the course of streamlining and simplifying the company's organisational structure and in order to reduce the administrative burden, Hoftex Immobilien II GmbH & Co. KG was merged with Hoftex Immobilien I GmbH effective 1 January 2021.

2.4. Business performance

EARNINGS POSITION

In the outlook of the 2020 management report, we forecast sales growth between 5 % and 15 % for the 2021 fiscal year compared to the previous year (EUR 139.3 million) and an EBITDA between EUR 15 million and EUR 18 million. The sales forecast had to be adjusted downwards in October in the range between EUR 130 million and EUR 140 million. However, due to some anticipated one-off effects, the EBITDA forecast was nevertheless maintained.

The assumptions regarding business development on which the adjusted forecast was based were confirmed, so that both sales and EBITDA targets were achieved within the expected range.

Earnings development during the past fiscal year is outlined in more detail below:

in EUR million	2021	2020	Change abs.	Change in %
Sales	137.9	139.3	-1.4	-1.0
Gross revenue	138.5	138.9	-0.4	-0.3
Gross profit	87.1	78.1	9.0	+11.5
Cost of materials	-66.7	-64.3	-2.4	-3.7
Personnel expenses	-43.1	-40.5	-2.6	-6.4
Net income for the fiscal year	3.7	3.1	0.6	+19.4
EBITDA	**16.4**	**15.5**	**0.9**	**+5.8**

The ongoing COVID-19 pandemic and the decline in demand in our most important customer segment, automotive, triggered by the semiconductor crisis were the reasons for stagnating Group revenue in 2021, which amounted to EUR 137.9 million (prior year: EUR 139.3 million). The largest division, TENOWO, recorded a decline in sales of 1.6 % compared to the previous year (EUR 117.3 million) with EUR 115.4 million. In this challenging environment, NEUTEX generated annual sales of EUR 13 million, which is lower than the previous year's sales (EUR 13.3 million). The HOFTEX division was able to increase its sales by EUR 0.9 million compared to the prior year to a total of EUR 7.5 million. We generated the majority of our sales abroad. Sales revenues generated abroad amounted to EUR 90.1 during the 2021 fiscal year, which is exactly the same as in the prior year (EUR 90.1 million). The Group export ratio was thus 65.3 %. With EU member states (excluding Germany) sales rose from EUR 40.0 million in the previous year to EUR 41.4 million in fiscal 2021. Fixed assets fell by -2.8 % to EUR 47.8 million (prior year: EUR 49.2 million).

Changes in inventories of finished and unfinished goods were EUR 0.6 million (prior year: EUR -0.4 million). Due to inventory build-up, gross revenue remained at the prior year's level (EUR 138.9 million) at EUR 138.5 million. Disruptions in the supply chains caused the cost of materials to increase to EUR 66.7 million (prior year: EUR 64.3 million), an increase of 3.7 %. The cost of materials ratio rose accordingly from 46.3 % in the previous year to 48.2 %.

Other operating income increased from EUR 3.4 million in 2020 to EUR 15.3 million in the reporting year. The increase is due to a contribution of EUR 7.7 million from insurance compensation received for the flood damage at the TENOWO location in Hof and EUR 3.5 million from profits from the sale of land and buildings in Hof that are not required for operations. Adjusted for these one-off effects, other operating income amounted to EUR 4.1 million.

The gross profit margin – calculated as gross profit in relation to gross revenue – increased by 6.7 percentage points to 62.9 % compared to the previous year, which is due to the one-off effects included in other operating income. The adjusted gross profit margin is 54.8 %, 1.4 percentage points below the previous year.

Personnel expenses of EUR 43.1 million were 6.4 % higher than the prior year's figure of EUR 40.5 million, which is mainly due to the reduction in short-time work while the number of employees remained almost constant. Based on gross revenue, the share of personnel expenses rose from 29.1 % to 31.1 %.

Other operating expenses include expenses totalling EUR 4.9 million as a result of the flood damage incurred at the Hof location and therefore increased by 24.2 % to EUR 26.7 million compared to the previous year (EUR 21.5 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to EUR 16.4 million in the reporting year 2021 compared to EUR 15.5 million in the preceding year. This corresponds to an EBITDA margin of 11.9% (prior year: 11.1 %).

Net interest income was EUR -1.1 million and was thus close to the previous year's level (prior year: EUR -1.2 million). After taking into account taxes on income of EUR 0.3 million (prior year: EUR 0.2 million) and other taxes of EUR -0.8 million (prior year: EUR -0.7 million), consolidated earnings amounted to EUR 3.7 million, which is EUR 0.6 million higher than the prior year (EUR 3.1 million). This corresponds to earnings per share of EUR 0.68 (prior year: EUR 0.58).

The Hoftex Group's commitment to conservative, forward-looking action is also reflected in the HOFTEX GROUP AG dividend policy. The Supervisory Board and Management Board will propose allocating the net retained profits to the distribution of a dividend of EUR 0.13 per no par value share at the Annual General Meeting on 8 July 2022. The dividend payout ratio is thus 19.1 % of consolidated earnings.

FINANCIAL POSITION

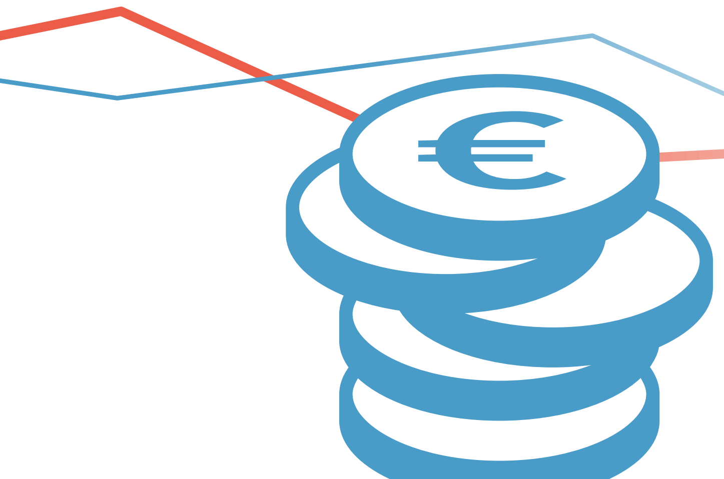
With consolidated earnings of EUR 3.7 million during the reporting year, cash flows from operating activities amounted to EUR 6.2 million (prior year: EUR 19.8 million). Despite the higher result than in the previous year, both the increase in working capital and the income from the sale of real estate not related to operating activities led to a reduction in cash flows from operating activities of EUR 13.6 million compared to the previous year.

Cash flows from investing activities were EUR -4.1 million (prior year: EUR -8.2 million). This is mainly characterised by payments for capital expenditure on tangible fixed assets, which are offset by proceeds from the sale of land not required for operations.

Cash flows from financing activities amounted to EUR -16.3 million (prior year: EUR -7.7 million) and resulted in particular from the repayment of further *Schuldscheindarlehen* in the amount of EUR 23.5 million. A loan of EUR 10 million from funds of a syndicated loan concluded during the reporting year was used to pay the outstanding instalments. After the scheduled repayment made in December 2021, the liability of the *Schuldscheindarlehen* taken out at the end of 2016 totalling EUR 50 million with terms of three to seven years still amounted to EUR 12.5 million as of 31 December 2021.

As a result, the Hoftex Group had cash and cash equivalents of EUR 13 million as of 31 December 2021 (previous year: EUR 26.6 million).

In order to ensure the long-term financial stability of the company, HOFTEX GROUP AG concluded a group-wide syndicated loan with a total volume of EUR 51 million. Of this amount, up to EUR 10 million are available as working capital loans. In addition to the redemption of the old financing, this follow-up financing also provides funds for operating activities and future investments. The term of the loan provided by five banks is four years and can be extended by up to two years with the consent of the lenders and increased by a further EUR 10 million if required.



The working capital loans totalling EUR 11.5 million that were previously concluded bilaterally with the principal banks will be successively replaced by the syndicated credit lines made available from the follow-up financing. As a result, HOFTEX GROUP AG had a total of EUR 9 million in free working capital lines at the end of 2021.

NET ASSETS

The Hoftex Group's balance sheet total fell to EUR 168.3 million as of 31 December 2021, and was thus EUR 8.4 million less than the previous year's figure of EUR 176.7 million.

On the asset side, intangible assets and tangible fixed assets decreased slightly from EUR 100.5 million to EUR 98.2 million. During the reporting period a total of EUR 9.4 million (prior year: EUR 8.3 million) was invested in tangible fixed assets and intangible assets for expansion and IT projects. These investments compare to depreciation and amortisation and write-downs of EUR 11.8 million (prior year: EUR 11.3 million).

Inventories rose from from EUR 29.4 million to EUR 35.2 million. The increase is mainly due to higher procurement costs as a result of persistent supply shortages. In addition, receivables and other assets grew from EUR 18.9 million to EUR 20.1 million. This is principally due to the increase in trade receivables of EUR 0.5 million to EUR 16.5 million and the rise in other assets of EUR 0.8 million to EUR 3.6 million. By the end of the fiscal year on 31 December 2021, cash and cash equivalents had decreased from EUR 26.6 million to EUR 13 million, mainly due to the repayment of existing financial obligations.

Balance-sheet equity rose by EUR 5.9 million over the previous year to EUR 113.5 million. This is due to the consolidated net income earned for the year and exchange rate gains not affecting net income minus the dividend payment to shareholders. The equity ratio rose to 67.5 % as of 31 December 2021 (prior year: 60.9 %).

Provisions were EUR 16.6 million, falling below the past year's value of EUR 17.6 million. With the exception of the obligations to be borne by the Group relief fund, the pension provisions are recognised at their full values based on an interest rate of 1.87 % (prior year: 2.3 %). The allocable values of business insurance claims were deducted from this. Pension provisions totalled EUR 0.6 million. Among other provisions, tax provisions increased by EUR 0.2 million and other provisions decreased by EUR 0.6 million.

Liabilities were reduced by EUR 13.5 million to a total of EUR 37.4 million as of 31 December 2021, mainly due to the scheduled repayment of the *Schuldscheindarlehen* using cash and cash equivalents and the utilisation of a partial amount from the newly concluded syndicate loan (prior year: EUR 50.9 million): Net senior debt in the Hoftex Group thus amounted to EUR 9.9 million as of 31 December 2021 (prior year: EUR 9.7 million).

Trade payables and liabilities on bills accepted and drawn rose by EUR 0.5 million. Other liabilities of EUR 7.5 million saw a year-on-year decrease of EUR 0.5 million (prior year: EUR 8.0 million).

2.5. General statement

Overall, it was not possible to achieve the planned sales growth in fiscal 2021. Primary causes include the consequences of the ongoing COVID-19 pandemic. While lockdowns impacted customer markets during the first half of the year, from the second quarter onwards global supply chain problems led to severe disruptions and soaring raw material and logistics costs. The TENOWO division in particular was unable to achieve its planned sales targets due to the resulting semiconductor crisis. These effects had a negative impact on earnings. We were nevertheless able to achieve our EBITDA targets in the 2021 fiscal year, buoyed by effects from the sale of land and real estate not required for operations.

With cash and cash equivalents totalling EUR 13 million as of 31 December 2021, the Hoftex Group has a very good liquidity position. The successful conclusion of a syndicated loan in the amount of EUR 51 million with a term of 4 years, including an extension and increase option, has also ensured that the Hoftex Group will retain its stable financial position in the coming years.

2.6. Employees

The average number of employees in the Group was nearly the same as in the previous year. An average of 1,037 employees (including 35 apprentices) worked at Hoftex Group companies during the 2021 fiscal year, compared to 1,053 employees (including 43 apprentices) during the preceding year. On the reporting date of 31 December 2021, the Hoftex Group employed 1,028 people (prior year: 1,035). The TENOWO division had 732 employees, making it the Group's largest workforce, as in the previous year (740). 74.6 % of the workforce was employed in Germany.

Employees as of the balance sheet date of **31 December** by country

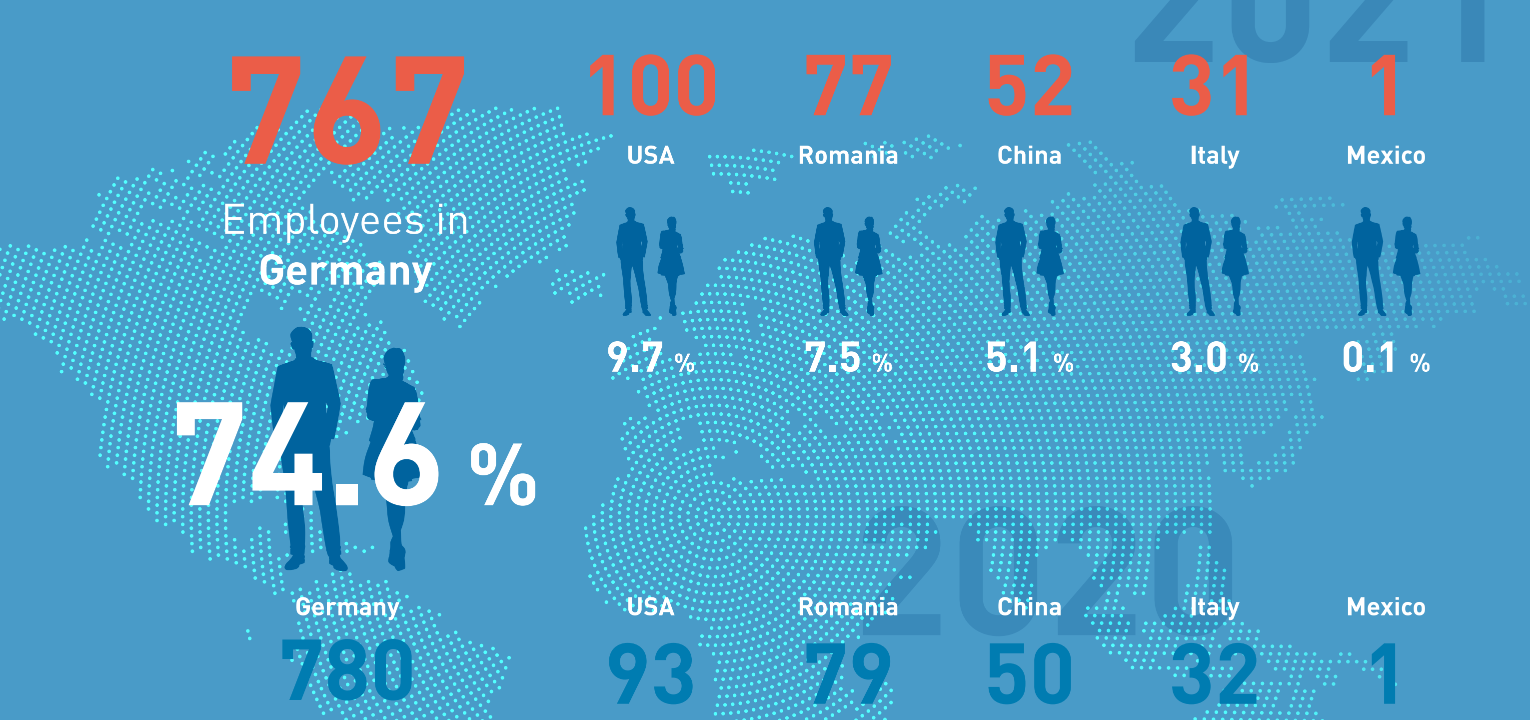


Fig. 7: Employees as of the balance sheet date of 31 December by country

The Hoftex Group thus retained a stable number of employees in spite of the COVID-19 pandemic. Periods of underutilisation were compensated for by the use of short-time work, which enabled the Group companies to retain valuable specialists. Continuous adaptation and strict implementation of our hygiene and protection concept allowed us to respond quickly to changing conditions at all times. A wide range of hybrid work concepts proved invaluable in 2021 and were successfully intensified. The COVID-19 pandemic accelerated digitalisation and fostered an enterprise-wide agile working environment. We will continue to pursue this strategy together with our employees.

3. Statement on Corporate Governance of HOFTEX GROUP AG pursuant to Section 289f(4) of the German Commercial Code for the 2021 fiscal year

Guidelines on promoting the participation of women in leadership positions pursuant to Sections 76(4), 111(5) AktG

The Supervisory and Management Boards have defined target gender quotas pursuant to the "Law on Equal Participation of Women in Leadership Positions in the Private and Public Sector".

The Supervisory Board resolved to appoint at least two women members by 31 December 2026. There are currently four women on the Supervisory Board: Renate Dempfle and Melanie Liebert representing the shareholders and Johanna Falasa and Carmen Teismann representing the employees. This translates into a membership rate of 44 %.

As of 1 August 2020, Manuela Spörl was appointed member of the Board as successor to Robert Seibold, following his resignation from the Management Board effective 31 July 2020. The gender quota for the two-person Management Board is thus 50 %. Nevertheless, the Supervisory Board decided at its meeting on 13 December 2021 to again set a quota of zero percent until the end of 2026. In each case, the Supervisory Board wishes to appoint the candidate it considers most suitable, irrespective of gender, taking into account professional suitability and personal integrity.

The Management Board of HOFTEX GROUP AG has set a target of 25 % for the management level below the Management Board on or before 31 December 2026. The gender quota for the top management level is currently 25 % women. No target has been set for the second management level, as HOFTEX GROUP AG in its role as a holding company has a flat hierarchy; there is therefore no continuous second management level.

4. Risk and Opportunity Report

The Hoftex Group is faced with numerous risks every day as part of the commercial undertakings of the individual business divisions and, consequently, the individual subsidiaries and those that arise due to external influences. At the same time, it is important for HOFTEX GROUP AG to identify opportunities for the Group and to use these to achieve the Group's targets and increase the competitiveness of HOFTEX GROUP AG and its subsidiaries.

It is the management's responsibility to identify any risks at an early stage and implement suitable measures to address them. The Hoftex Group established a corresponding risk management system to enable this.

The key relevant areas of risk and opportunity for the Hoftex Group are outlined in the following. We will only explain the areas with notably relevant risks and opportunities.

The matrix below shows the risks and opportunities of the Hoftex Group:

4.1. Macroeconomic and sector-specific risks and opportunities

Like nearly every other company, the Hoftex Group is subject to and unable to completely avoid macroeconomic risks and economic slumps like those caused by the COVID-19 pandemic and supply chain issues. Moreover, we are exposed to political risks, especially with regard to climate change and future energy policies associated with it. This category also includes the conflict between Russia and Ukraine, which escalated into an open war in February 2022, and which has brought with it major, previously unknown risks in terms of energy price development and energy supply, not only in Germany. These significant individual risks can have a major impact on our net assets, financial position and results of operations. Specifically, the supply chain problem has had a dramatic influence on the procurement and sales markets in 2021. It cannot be ruled out that the risks, including those attributable to the Russia-Ukraine war, will extend into 2022 and once again burden the economic situation. We believe our international locations and their focus on various sectors and regions help mitigate these risks. Due to the war between Russia and Ukraine, sector-related participation in fluctuations cannot be ruled out in the largest and most important sectors, as in the case of the automotive and household textile industries, both of which are important for the Hoftex Group. Similarly, a downturn in the fibre and chemical industry, for example, could affect the Hoftex Group's business. HOFTEX GROUP AG counteracts these risks by continuously adjusting its sales and marketing strategy and by opening up new markets and acquiring new customers. Our sales strategy is geared towards the further diversification of our portfolio. We face strong competition in the textile industry worldwide, with the greatest threat to sales coming from Asian competitors making inroads into the European market. A further increase in competitive pressure, driven by rising raw material prices on the one hand and growing price pressure from customers on the other, could have a significant impact on the results of our operations and net assets. As a countermeasure, we always strive for close, positive customer relationships and constantly analyse the markets that are relevant to us.

4.2. Operational opportunities and risks

The Hoftex Group is highly dependent on raw materials procurement and is therefore exposed to some risks in the procurement market. In the Hoftex Group's divisions, commodity prices are subject to regular fluctuations and a general increase in logistics costs along with the global demand for raw materials causing prices to rise over time. The Hoftex Group hedges its risk of quality fluctuations by continually monitoring its suppliers. The procurement team works closely with the respective suppliers and is always looking for development opportunities to minimise procurement risks on both sides. The close, continuous collaboration between our procurement team and our suppliers enables us to take advantage of the future opportunities afforded by the growing trend towards transparency as it relates to sustainability in the value chain. Commodity prices fluctuated widely in 2021 as the COVID-19 pandemic caused supply chain problems. Rising demand for raw materials combined with limited transport capacities resulted in a tight procurement market. Flexibly adapting procurement strategies and closely coordinating the internal supply chain enabled us to adjust demand planning in line with the market. Fair and long-term supplier relationships further strengthen our position. The expansion of the multi-supplier strategy and global networks proved to be the right strategy, as it allowed us to replace suppliers who were unable to deliver due to supply shortages with alternative local sourcing points. This reduced the risk of procurement shortages and supplier dependencies, especially in the challenging year 2021.

Production in Hoftex Group companies depends on detailed, forward-looking planning. Deviations from the plan due to internal or external forces such as supplier delivery delays or change requests received from customers on short notice can lead to the risk of production delays. Due to the pandemic, all divisions experienced major capacity fluctuations in 2021, which resulted in over or underproduction in selective cases. Close communication between the respective production facilities and through our international positioning allows us to respond swiftly to problems in order to mitigate these risks. Short-time work made it possible to bridge phases of capacity reduction. Furthermore, production must always anticipate continuous quality, safety and environmental risks. We have the right management systems, mandatory occupational and environmental safety training courses and corresponding insurance policies to counteract these risks. To ensure and further improve occupational safety at the sites, occupational safety officers support the plant managers in their work.

Due to natural fluctuation of staff, positions must be filled on a regular basis. The development of the human resources market shows that there is growing competition for qualified employees and talent and that this competition is becoming increasingly fierce. In addition, the risk of employees leaving the company threatens a loss of expertise and a change in the personnel structure, which can lead to negative business development. We have personnel development and training programmes that are individually tailored to the needs of our employees to offer permanent opportunities for further training and education and open up new professional opportunities within the group of companies. Digitalisation and new technologies in particular help us retain employees by offering them an interesting, modern and flexible working atmosphere and working methods and getting new candidates excited about working for us.

The Hoftex Group's system landscape plays a key role in the context of the digitalisation of our business models and processes. As a globally operating company, it is essential for us to guarantee that information is current, complete and correct and that it can be shared with ease. To ensure this we are always investing in our IT infrastructure and expanding it to adapt to current conditions, both internally and externally. We are exposed to increased IT security risk due to the threat of system failures – in particular, increased cyber attacks on corporate systems. Organisational and technical measures are constantly reviewed and implemented if necessary. Investments in IT security and regular training and testing of employees are essential components of our risk prevention strategy. In spring 2021, the IT systems of the Hoftex Group were attacked. Immediate emergency measures averted damage. In general, we are seeing an increase in attacks on our IT systems. Phishing emails pose a major risk. In addition to the permanent testing and implementation of technical measures to protect against cyber attacks, in the 2021 fiscal year we focused heavily on raising employee awareness through seminars and courses, mail campaigns and training.

4.3. Financial opportunities and risks

Due to its global operations, HOFTEX GROUP AG is faced with risks and opportunities related to currency exchange rate fluctuations. These primarily result from fluctuations in the US dollar (USD) and the Chinese Yuan (CNY) along with other currencies against the euro (EUR). Risks and opportunities arise in the Group's operations primarily when sales are generated in a different currency than the corresponding costs (transaction risk). The resulting risk is closely monitored and forward exchange derivatives are used to hedge against currency risk as needed. There were no transactions in the portfolio on the balance sheet date.

Interest risks and opportunities for HOFTEX GROUP AG can arise due to rising or falling financing costs resulting from increases or decreases in interest rates. Interest rate hedges are held and interest rate developments are continuously monitored to mitigate potential risks. There were no transactions in the portfolio on the balance sheet date.

The Hoftex Group can be exposed to liquidity risks if customers do not meet their outstanding payment obligations. A rolling liquidity plan and a multi-year financing plan help HOFTEX GROUP AG secure long-term credit lines and make cash and cash equivalents available. This also helps guarantee the Group's solvency and financial flexibility. In December 2021, a syndicated loan agreement with a four-year term and an option to extend was concluded in line with our financial strategy. This will ensure medium-term follow-up financing and sufficient liquidity after the remaining *Schuldscheindarlehen* expire in 2023. Some of the loan agreements concluded contain provisions that enable the lending banks to manage the credit risk. These so-called financial covenants are customary in the market, follow corresponding standards and are structured depending on the current and expected economic outlook. Based on the current planning figures, there are no negative implications for the Hoftex Group from the financial covenant regulations. In conclusion, we do not see any liquidity risks.

4.4. Legal and non-financial risks

Like other internationally operating companies, HOFTEX GROUP AG and its subsidiaries are exposed to a variety of legal and compliance risks. Risks can arise from potential legal disputes and compliance violations and from failure to meet regulatory requirements. In addition, we are subject to a broad range of public regulations worldwide that govern environmental protection, data protection and other legal guidelines. Non-compliance can lead to substantial fines, claims for damage and reputation loss. To avoid violations, we work with local or specialised legal experts and train our employees. To implement, coordinate and support all activities to avoid legal and regulatory risks, we have appointed various teams and officers, such as data protection officers and data protection coordinators, along with an information security team. A compliance officer appointed in the reporting year 2021 is developing a compliance management system that encompasses all activities to ensure that all employees in business operations behave in a compliant and ethically correct manner. It regulates responsibilities, communication channels and measures for the prevention and early detection of compliance violations as well as our response to them. We take targeted action against corruption risks and misconduct with internal guidelines and online training courses.

With our listing on the Munich Stock Exchange, HOFTEX GROUP AG is subject to regulatory guidelines and laws, which can also pose risks. We work closely with a law firm that supports our efforts to hedge capital market risks.

Natural disasters such as floods or other events such as fire can lead to production stops, which can have a negative impact on the results of operations, financial position or net assets. These external risks, which cannot be influenced by the Hoftex Group, are taken into account by concluding commensurate property and business interruption insurance policies. In addition, internal precautions and organisational measures are taken in the event of a loss. There is a dedicated company fire brigade at certain locations to ensure a rapid first response in the event of a disaster. The flood damage at the Hof site that occurred in the reporting year 2021 is fully covered by an insurance policy. Our plant fire brigade was able to take important initial evacuation and safety measures in the hours after the floods occurred, thus protecting our employees.

5. Forecasts and outlook

5.1. Outlook on macroeconomic conditions

It is difficult to predict economic growth in 2022. The International Monetary Fund (IMF) forecast continued economic recovery and global economic growth of 4.4 % for 2022. However, the estimates are based on assumptions from the end of 2021 and were thus made before new waves of COVID infections hit and before the Russian invasion of Ukraine began. At the beginning of the year, the IMF's economic experts expected to see positive growth rates without exception. The outlook for industrialised countries shows an increase in economic output of 3.9 %. The calculated growth of German GDP is 3.8 % (France: 3.5 %, Italy: 3.8 %). Similarly, growth expectations for the Eurozone as a whole (3.9 %), the US (4.0 %) and Japan (3.3 %) are all close to average. Only Spain (5.8 %) and the United Kingdom (4.7 %) stand out as outliers. At 4.8 %, growth expectations for the Chinese economy are somewhat lower than those for the ASEAN countries at 5.6 %. For the Indian economy, on the other hand, a more pronounced recovery of +9.0 % appears likely. At the beginning of the year, Russia's economic growth was still estimated at +2.8 %. All IMF growth projections are based on January 2022 data – the IMF stated on 10 March 2022 that it will lower its forecast due to the consequences of the Russian war on Ukraine. It is currently impossible to predict the impact of the Russian invasion of Ukraine on 24 February 2022 on the growth of the global economy, particularly on the supply of raw materials and energy to all major industries worldwide, especially in Europe. This is due to tough sanctions and Russia's increasing political and economic isolation, which has undermined the market mechanisms that applied until now. The risk of an economic slowdown due to supply shortages and disruptions in supply chains and transport routes as well as other potential economic repercussions is not unlikely and the extent depends on the duration and course of the war. The world is already facing tremendous spikes in oil and energy prices during the first quarter of 2022. Increased cost pressure will further fuel inflation. General uncertainty also gives rise to fears of sluggish investment and consumption behaviour and will lead to a poorer business climate. We also see uncertainty with regard to the impact of the new Omicron variant of the coronavirus. For some weeks now, the situation in China has been worsening again. New lockdowns will have a negative impact on international trade routes in conjunction with logistical bottlenecks. The local Chinese industry is equally burdened, with some of the first companies forced to stop their production due to the coronavirus.

5.2. Outlook on sector-specific conditions

The Ifo Business Climate Index showed a steady improvement until summer 2021, after which it cooled off again somewhat. This applied analogously to the textile segment, whereas companies in the apparel industry became increasingly optimistic well into the autumn months. All in all, indicators are once again pointing upwards, and at the beginning of 2022 the sentiment in the textile and apparel sectors has returned to the long-term average. Surveys by the German industry association "textile+ mode" confirm findings that economic recovery is progressing and that companies expect the crisis to end in the foreseeable future. Rising export figures in particular offer cause for optimism. However, all data collection and surveys were already completed by January – so here as well, forecasts are expected to be revised due to the current war between Russia and Ukraine.

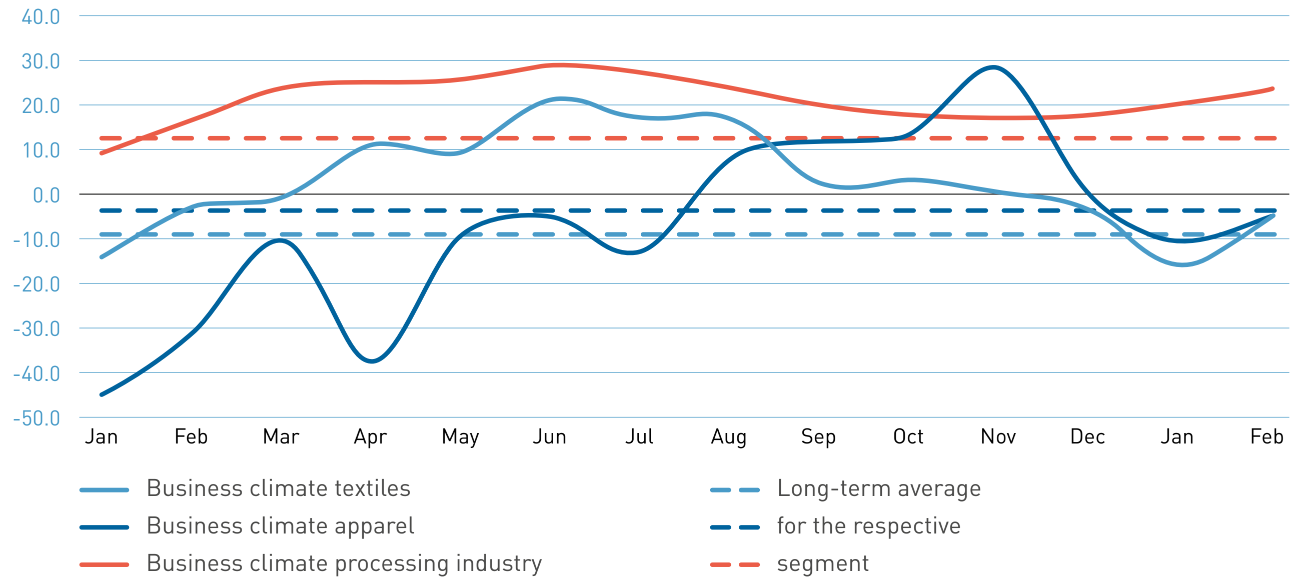


Fig. 8: Business Climate Index January 2021 to February 2022

Source: ifo Business Climate Index for the textile and apparel segments from Jan 2021 to Feb 2022

The combination of order backlogs and industry trends makes it possible to at least offer estimates for short-term forecasts for subsequent sales. According to the data of the industry association "textile+ mode", order backlogs in the textile sector increased by 22.3 % and in the clothing sector by 25.2 % during 2021. These figures show clear positive trends for the 2022 financial year. It remains to be seen to what extent these positive trends will actually translate into sales growth. Based on current imponderables coupled with rising energy and transport prices and the increasing uncertainty regarding energy supply security as a result of the Russia-Ukraine war, positive expectations are extremely likely to cool down in the near future.

5.3. Outlook – business performance

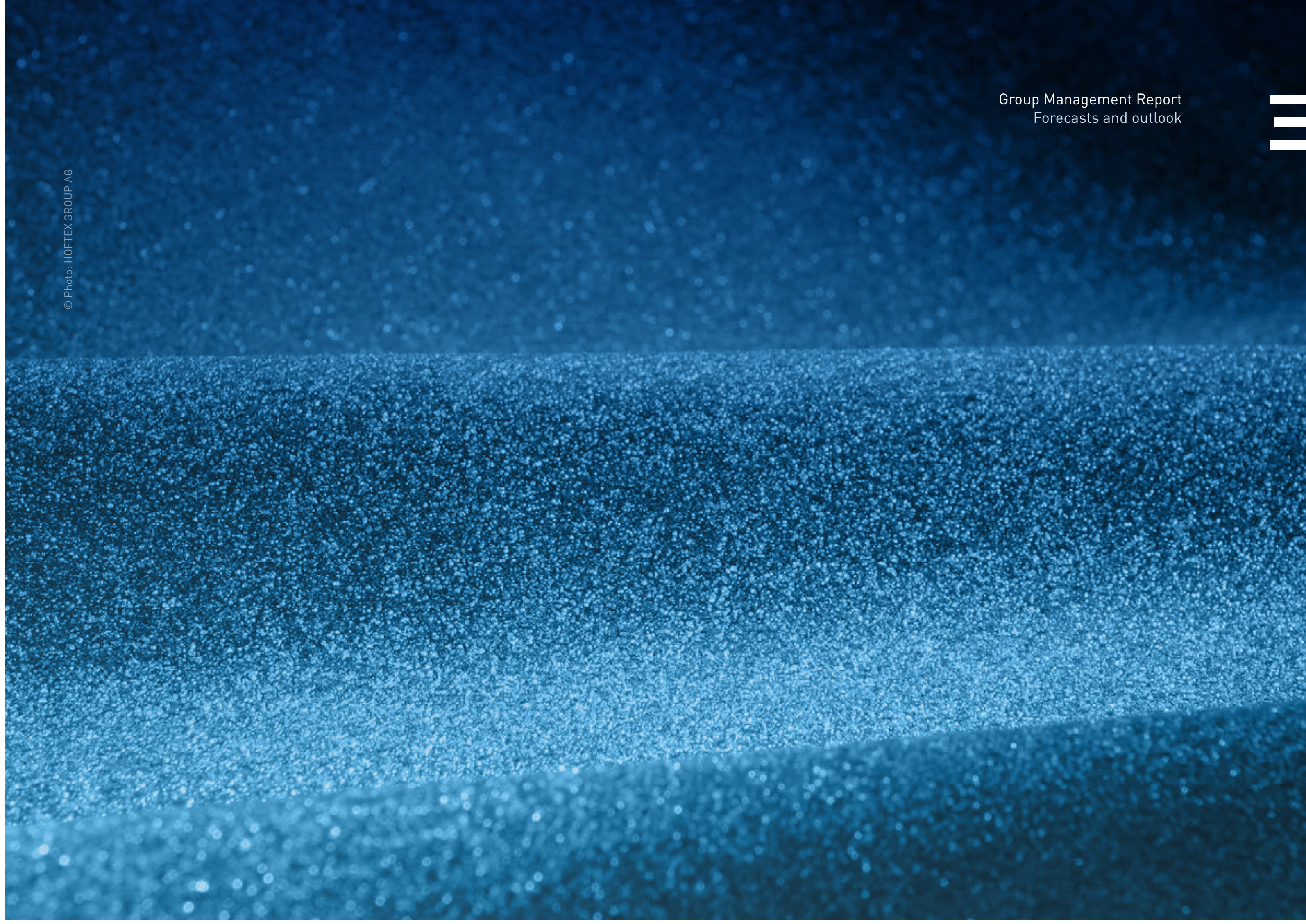
The forecast for the 2022 fiscal year is made on the assumption that the global economy will continue to recover based on the IMF forecast and that this will also be reflected in the markets relevant to the Hoftex Group. Our planning assumes that no further macroeconomic disruptions will occur and that supply chain issues will begin to resolve by the end of the first half of the year. The extent to which the Russia-Ukraine war and the sanctions against Russia will affect the overall economic and sector-specific conditions cannot be estimated at present due to considerable uncertainties and the highly dynamic nature of the situation. The spike in energy costs and the associated increases in raw material costs will continue to weigh on the company, with our aim of passing these on to the market to the greatest extent possible. As a result, the following forecast by the Management Board is not only subject to greater uncertainty than usual due to the high degree of uncertainty regarding future economic development, but also expressly assumes that risks from the armed conflict between Russia and Ukraine will not materialise to an extent that is significant for the financial position, net assets and results of operations of the Group.

In the TENOWO division, we expect a greater catch-up effect in the largest segment, automotive. Since global vehicle production has been unable to meet the high demand in recent months due to the semiconductor crisis and OEM order books are full, a significant increase in vehicle production is expected. In the apparel and consumer goods segments, we anticipate further sales growth in the 2022 fiscal year following a good second half of 2021, and we also predict to fortify our position in the healthcare segment. In the area of tech ventures, promising projects and partnerships with customers began last year. These are expected to generate additional sales in 2022 and contribute to the further strategic alignment of TENOWO with new markets and applications. The 2022 fiscal year will also be marked by the complete restoration of the Hof production site, which was affected by the floods. In addition to machinery and equipment, the buildings and their infrastructure also require extensive renovation.

After a weak fiscal year in 2021 due to COVID-19, the NEUTEX division is entering 2022 confidently with a larger order backlog than in the previous year and positive signals from its customer markets. Further sales growth in online retail and the recovery of the sales lost by brick-and-mortar retail due to COVID-19 should bring NEUTEX back into the profit zone. In particular, the further expansion of the ECO line should contribute to this – consumer behaviour, especially in the textile sector, has trended strongly towards sustainable products in recent years and NEUTEX has built up a powerful market position with innovative product developments.

The good capacity utilisation of the HOFTEX dyeworks in the second half of 2021 will continue in the 2022 financial year. We assume that the clothing market will proceed with its recovery, which will benefit HOFTEX. In January 2022, the NEUTEX yarn dyeing production was transferred to the dyeworks in Selbitz. The additional quantities will make balancing capacity fluctuations even easier in the future.

For 2022, we are planning investments of around EUR 14 million, which will be higher than the figure for 2021. The focus of investment will be the TENOWO site in Hof, as additional replacement investments are necessary here over and above the investment projects already planned due to the water damage.



© Photo: HOFTEX GROUP AG

Overall, the Hoftex Group Management Board expects a slight increase in revenue and EBITDA for the 2022 fiscal year compared to the previous year. However, at the time of finalisation of the consolidated financial statements, it is not possible to reliably estimate the effects of the Russia-Ukraine conflict on supply chains, customer markets that are relevant to us (specifically automotive), raw material, transport and energy prices, and the development of inflation and thus the development of global GDP.

Hof, 29 April 2022

HOFTEX GROUP AG

The Management Board

Klaus Steger Manuela Spörl

HOFTEX GROUP AG

Consolidated balance sheet as of 31 December 2021

Assets in EUR thousand	Notes	31/12/2021	31/12/2020
A. Non-current assets			
I. Intangible assets	6	1,062	1,855
II. Tangible assets	6	97,152	98,601
III. Long-term financial assets	6	17	17
		98,231	**100,473**
B. Current assets			
I. Inventories	7	35,231	29,372
II. Accounts receivable and other assets	8	20,144	18,873
III. Cash and cash equivalents	9	12,955	26,614
		68,330	**74,859**
C. Accrued and deferred items		**668**	**284**
D. Deferred tax assets	10	**1,043**	**1,126**
Balance sheet total		**168,272**	**176,742**

Equity and liabilities in EUR thousand	Notes	31/12/2021	31/12/2020
A. Equity			
I. Subscribed capital	11	13,920	13,920
II. Capital reserves	13	41,158	41,158
III. Revenue reserves	14	56,754	55,254
IV. Change in equity from currency translation		-1,150	-4,170
V. Net retained profits	15	2,862	1,455
		113,544	**107,617**
B. Provisions	16	**16,605**	**17,581**
C. Liabilities	17	**37,439**	**50,860**
D. Deferred tax liabilities	10	**684**	**684**
Balance sheet total		**168,272**	**176,742**

HOFTEX GROUP AG

Consolidated Income Statement for the 2021 fiscal year

in EUR thousand	Notes	2021	2020
Sales	18	137,857	139,340
Change in inventories of finished and unfinished goods		637	-411
Gross revenue		**138,494**	**138,929**
Other operating income	19	15,280	3,443
Cost of materials	20	-66,686	-64,274
Gross profit		**87,088**	**78,098**
Personnel expenses	21	-43,144	-40,457
Depreciation, amortisation and write-downs	6	-11,843	-11,279
Other operating expenses	22	-26,737	-21,453
Operating result		**5,364**	**4,909**
Net interest income	23	-1,118	-1,231
Taxes on income	24	314	157
Earnings after tax		**4,560**	**3,835**
Other taxes	25	-836	-697
Consolidated net income for the year		**3,724**	**3,138**

HOFTEX GROUP AG

Consolidated statement of changes in equity as of 31 December 2021

in EUR thousand	Sub-scribed capital	Capital reserves	Revenue reserves	Change in equity from currency translation	Net accu-mulated gains	Total
Balance on 1/1/2020	**13,920**	**41,158**	**54,254**	**-1,667**	**133**	**107,798**
2019 dividend payment					-816	-816
Consolidated net income for 2020					3,138	3,138
Foreign currency translation differ-ences				-2,503		-2,503
Appropriation to revenue reserves pursuant to Section 58(3) AktG			1,000		-1,000	0
Balance on 31/12/2020	**13,920**	**41,158**	**55,254**	**-4,170**	**1,455**	**107,617**
2020 dividend payment					-817	-817
Consolidated net income for 2021					3,724	3,724
Foreign currency translation differ-ences				3,020		3,020
Appropriation to revenue reserves pursuant to Section 58(2) AktG			1,500		-1,500	0
Balance on 31/12/2021	**13,920**	**41,158**	**56,754**	**-1,150**	**2,862**	**113,544**

HOFTEX GROUP AG

Consolidated cash flow statement for the 2021 fiscal year

in EUR thousand	2021	2020
Consolidated net income for the year	3,724	3,138
+/- Depreciation, amortisation and write-downs of fixed assets/ reversals of write-downs of fixed assets	11,843	11,279
+/- Increase/decrease in provisions incl. pension provisions	-976	-1,857
+/- Other non-cash expenses and income	-250	-850
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-7,315	5,355
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities.	1,933	2,204
-/+ Gain/loss on disposal of results of operations assets	-3,535	-34
+/- Interest expense/interest income	901	1,003
+/- Income tax expense/income	-314	-157
+/- Income tax payments	195	-236
Cash flows from operating activities	**6,206**	**19,845**
- Payments to acquire intangible fixed assets	-98	-305
+ Proceeds from disposals of financial assets	5,291	122
- Payments to acquire tangible fixed assets	-9,275	-8,020
+ Interest received	0	25
Cash flows from investing activities	**-4,082**	**-8,178**
+ Cash proceeds from bank loans	10,041	166
- Cash repayments of bank loans	-23,500	-5,060
- Cash repayments of short-term loans to affiliated companies	-1,196	-997
+ Proceeds from grants/subsidies received	110	64
- Interest paid	-900	-1,028
- Dividends paid	-817	-816
Cash flows from financing activities	**-16,262**	**-7,671**
Changes in cash and cash equivalents	**-14,138**	**3,996**
Effect on cash funds of exchange rate movements and remeasurement	479	-238
Cash and cash equivalents as of 1 January	**26,614**	**22,856**
Cash and cash equivalents as of 31 December	**12,955**	**26,614**

Notes to the consolidated financial statements for the 2021 fiscal year

(1) Presentation of the Consolidated Financial Statements

HOFTEX GROUP AG is registered as a public limited company in the Federal Republic of Germany with an entry in the commercial register of the Hof district court under the code HRB 50. Its business address is Fabrikzeile 21, 95028 Hof, Germany. It serves the holding company of the Hoftex Group.

The purpose of the company corresponds in principle to the entry in the commercial register. The main activities of the Hoftex Group are the development, production and sale of nonwovens for technical applications, the construction industry and cable industry and for medical applications and the garment trade. Additional areas of activity include the manufacture and sale of decorative fabrics and textile sun protection solutions along with the operation of a yarn dyeworks.

As of 29 June 2009, the company's shares have been traded on the m:access open market of the Munich Stock exchange. Since this time HOFTEX GROUP AG is no longer considered as a "publicly listed" or "capital market-oriented" company as defined in the German Commercial Code (HGB) and Companies Act (AktG).

The consolidated financial statements of HOFTEX GROUP AG for the fiscal year from 1 January to 31 December 2021 are prepared pursuant to the provisions of HGB and AktG prevailing on the balance sheet date.

Section 290 HGB governs the obligation to prepare consolidated annual financial statements. The consolidated financial statements for the preceding fiscal year are to be prepared within five months of the new fiscal year. The consolidated financial statements have been prepared in euros (EUR). All figures are shown in thousands of euros (EUR thousand), unless expressly stated otherwise.

The single-entity annual financial statements of the Group companies and the consolidated annual financial statements are prepared as of the balance sheet date of the parent company. The HOFTEX GROUP AG annual financial statements and the annual financial statements of all domestic subsidiaries included in consolidation for the 2021 fiscal year were prepared on the basis of the provisions of HGB, AktG and/or the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, or GmbHG). For the purpose of preparing the consolidated annual financial statements, we have adapted the annual financial statements of foreign subsidiaries to comply with HGB where necessary.

Certain items in the balance sheet and the income statement have been aggregated to improve clarity of presentation. These items are reported separately and clarified in the notes to the financial statements. The income statement is prepared using the total cost method.

(2) Consolidated companies

In addition to HOFTEX GROUP AG, the consolidated annual financial statements for the year ending 31 December 2021 include 11 (prior year: 13) domestic and 5 (prior year: 5) foreign companies, in which HOFTEX GROUP AG directly or indirectly holds a majority of voting rights and over which it therefore exercises control. The Group relief fund, the *Wohlfahrtseinrichtung der Vogtländischen Baumwollspinnerei AG e.V.*, is also subject to consolidation as stipulated in Section 290(2) no. 4 HGB in conjunction with Standard 19 of the German Accounting Standards (*Deutsche Rechnungslegungsstandard* or DRS).

The change in the consolidated companies was the result of merging Hoftex Immobilien II GmbH & Co. KG with Hoftex Immobilien I GmbH effective 1 January 2021. Likewise, the domestic subsidiary Textil Hof Immobilien Geschäftsführungs GmbH was merged with Hoftex Immobilien I GmbH effective 1 January 2021. In the course of the merger, the shares held by HOFTEX GROUP AG in Hoftex Immobilien II GmbH & Co. KG and Textil Hof Immobilien Geschäftsführungs GmbH were transferred to the shares in Hoftex Immobilien I GmbH held by HOFTEX GROUP AG.

The entitlement of the exemption outlined in Section 313(3) sentence 4 HGB is exercised here.

In addition to the parent company, HOFTEX GROUP AG's consolidated companies for the year ending 31 December 2021 are as follows:

Company	Registered office	Share of capital in %	Currency	Equity thousand [7]	Result current year thousand
Fully consolidated companies as defined in Section 290(2) no. 1 HGB					
Hoftex GmbH	Hof	[1] 100.00	Euro	14,069	(CPTA) [8]
Hoftex Färberei GmbH	Hof	[2] 100.00	Euro	800	(CPTA) [8]
Hoftex Färberei Betriebs GmbH	Hof	[3] 100.00	Euro	150	(CPTA) [8]
Tenowo GmbH	Hof	100.00	Euro	63,171	(CPTA) [8]
Tenowo Hof GmbH	Hof	[4] 100.00	Euro	150	(CPTA) [8]
Tenowo Reichenbach GmbH	Hof	[4] 100.00	Euro	150	(CPTA) [8]
Tenowo Mittweida GmbH	Hof	[4] 100.00	Euro	150	(CPTA) [8]
Tenowo Inc.	Lincolnton, USA	[4] 100.00	USD [9]	11,750	-474
Tenowo Huzhou New Materials Co. Ltd.	Huzhou, China	[4] 100.00	CNY [10]	47,155	-166
Tenowo Italia S.r.l.	Milan, Italy	[4] 100.00	Euro	1,909	-265
Tenowo de Mexico S. de R.L. de C.V.	San Luis de Potosi, Mexico	[5] 100.00	MXN [11]	-10,619	-3,619.
Neutex Home Deco GmbH	Münchberg	100.00	Euro	7,536	(CPTA) [8]
Neutex Betriebs GmbH	Münchberg	[6] 100.00	Euro	150	(CPTA) [8]
SC Textor S.A.	Targu Mures, Romania	[6] 100.00	RON [12]	17,570	22
Feinspinnerei Hof GmbH	Hof	100.00	Euro	39	-2
Hoftex Immobilien I GmbH	Hof	100.00	Euro	19,203	(CPTA) [8]
Fully consolidated companies as defined in Section 290(2) no. 4 HGB					
Wohlfahrtseinrichtung der Vogtländischen Baumwollspinnerei AG e.V.	Hof	0.00	Euro	-	-

1) 100 % of all shares held by HOFTEX GROUP AG.
2) 100 % of all shares held by Hoftex GmbH.
3) 100 % of all shares held by Hoftex Färberei GmbH.
4) 100 % of all shares held by Tenowo GmbH.
5) 90 % of all shares held by Tenowo GmbH; 10 % by Tenowo Inc.
6) 100 % of all shares held by Neutex Home Deco GmbH.
7) This figure is reported including the result for the year.
8) CPTA = Control and profit transfer agreement
The company exercises its rights under the exemption clause pursuant to section 264(2) para. 3 HGB.
9) Spot rate on the closing date 31 Dec. 2021: 1 euro = 1.1326 USD
10) Spot rate on the closing date 31 Dec. 2021: 1 euro = 7.1947 CNY
11) Spot rate on the closing date 31 Dec. 2021: 1 euro = 23.1438 MXN
12) Spot rate on the closing date 31 Dec. 2021: 1 euro = 4.9490 RON

(3) Consolidation principles

For first-time consolidations before 1 January 2010, capital is consolidated using the book value method pursuant to Art. 66(3) sentence 4 of the EGHGB. First-time consolidations after this date use the revaluation method only. According to this method, the subsidiary's equity at the time of initial consolidation is recorded as the fair value of all assets, liabilities, accruals, deferrals and extraordinary items to be included in the consolidated annual financial statements. Any excess of acquisition cost over the value of the equity is capitalised as goodwill.

Goodwill capitalised in the 2018 fiscal year will be amortised on a straight-line basis over an anticipated period of five years. The useful life is chiefly defined by short-term contracts with customers.

The results from subsidiaries that are bought or sold during the year are recognised in the consolidated income statements from the actual date of acquisition or up until the actual date of sale. Where necessary, the annual financial statements of new subsidiaries will be adjusted to conform to the accounting policies used in the consolidated annual financial statements.

Interim results, intragroup sales, expenses and income, receivables and payables between consolidated companies as well as intragroup provisions are eliminated.

(4) Accounting policies

Intangible assets, provided they have been acquired in cash, are recognised at cost and amortised on a straight-line basis over their estimated useful life. As provided in Section 248(2) HGB, companies may exercise the option to capitalise internally generated intangible assets at cost in line with Section 255(3) sentences 1 and 2, provided these assets are not brands, newspaper mastheads, publishing rights, customer lists or similar intangible fixed assets. The Group did not exercise this option. Intangible assets relate in particular to software and licences purchased from third parties. These are written down from the date of acquisition using straight-line amortisation over a period of 5 years.

Tangible assets are recognised at cost less straight-line depreciation provided the assets are subject to wear and tear. The cost of tangible assets produced in-house includes directly allocable expenses and a reasonable share of necessary materials and production overheads including depreciation, provided it is production-related. Interest on borrowed capital is not included in the production cost.

Extraordinary depreciation charges are recognised for impairment that exceeds scheduled depreciation and is likely to be permanent. If the reasons for such write-downs no longer exist, impairment losses are reversed up to a maximum of the scheduled amortised acquisition and production costs.

As a rule, depreciation and amortisation throughout the Group are recognised on a straight-line basis over the expected useful life of the asset in question. These are based on tax depreciation tables (minimum rates) and empirical values.

Long-term financial assets are generally carried at cost or, in the event of a likely permanent value impairment, at the lower of cost and fair value on the balance sheet date.

Equity interests in non-consolidated affiliates and other equity interests are carried at cost or, in the event of permanent value impairment, at the lower of cost and fair value. If the reasons for retaining the lower value no longer apply, the write-downs are reversed pursuant to Section 253(5) HGB.

Loans are carried at face value or, in the event of permanent value impairment, at the lower of cost and fair value.

Raw materials, consumables and supplies are recognised under inventories at cost or the lower current market value on the purchase or sales market.

Finished and unfinished goods are carried at cost pursuant to Section 255(2) HGB. Production costs include direct material costs, direct production costs, extraordinary direct production costs and a reasonable portion of material overheads, production overheads and impairment charges for fixed assets provided they are production-related. They also include a reasonable share of the other general and administrative expenses. Borrowing costs are not included in the production costs.

When replacement costs or realisable prices are the lower of cost or market on the balance sheet date, write-downs are taken on the lowest value. Reasonable and adequate write-downs are recognised to cover resale risk.

Accounts receivable and other assets are generally carried at face value. Specific valuation allowances are made for accounts receivable based on the likelihood of default. General valuation allowances are made for overall credit risk, generally based on past experience.

Cash and cash equivalents are recognised at their nominal value.

Prepaid expenses relate to expenditures prior to the balance sheet date that pertain to a determinable period after this date; amortisation is recognised on a straight-line basis over the specified period of time.

Taxes are deferred on the basis of the temporary concept. The annual financial statements of the companies included in consolidation recognise deferred tax liabilities where differences arise between the book value and the tax base of assets, liabilities, prepaid expenses and deferred income, and these differences are likely to diminish in subsequent fiscal years and result in a tax charge. If the differences result in a tax savings in subsequent fiscal years, it is only recognised up a maximum of the deferred tax liabilities from other temporary differences. Existing tax loss carryforwards are also recognised. Where there is an excess of deferred tax assets over deferred tax liabilities, the resulting net deferred tax assets are not recognised. Deferred tax assets for domestic Group companies are calculated using a simplified income tax rate of 29 % (corporate tax rate 15 %, trade tax 14 %). The relevant income tax rate in the country in question is used for subsidiaries outside Germany and ranges between 16 % and 30 %.

If consolidation rules (Sections 300 to 307 HGB) result in additional differences between the book value and the tax base of assets, liabilities, prepaid expenses and deferred income, and these differences are likely to diminish in subsequent financial years, the net tax charge must be recognised as a deferred tax liability and the net tax saving must be recognised as a deferred tax asset, which are both calculated with the flat tax rate of 29 %. Deferred tax assets and liabilities are netted in accordance with the option provided in Section 306 HGB.

In order to meet our obligations for post-employment employee benefits on the basis of deferred compensation, we have taken out endowment life insurance policies, which are pledged to the qualifying employees and therefore exempt from attachment by all other creditors. As of fiscal 2009, these assets are carried at fair value as communicated to the Group by the insurance company. Pursuant to Section 246(2) sentence 2 HGB, the fair value of plan assets is offset against the matched post-employment benefit obligations. If the obligations exceed the plan assets, the excess is recognised in provisions. If the fair value of the plan assets exceeds the obligations, this must be recognised under the item "Excess of plan assets over post-employment benefit liability" on the asset side of the balance sheet. The acquisition cost of the offset assets is almost exactly the same as the fair value amounting to EUR 2,214 thousand determined by the insurance companies using recognised methods (prior year: EUR 2,570 thousand); the settlement amount of the offset obligations amounts to EUR 3,703 thousand (prior year: EUR 4,186 thousand) resulting from leasing contracts and purchase commitments. This results in a net post-employment benefit liability (provision) of EUR 1,489 thousand (prior year: EUR 1,616 thousand) resulting from leasing contracts and purchase commitments. In the interest income/expense item, expenses for the reversal of discounting on pension obligations are offset against the expected return on pension plan assets. Expenses for the reversal of discounting on pension obligations amounting to EUR 230 thousand (prior year: EUR 256 thousand) are offset against the expected return on pension plan assets of EUR 13 thousand (prior year: EUR 28 thousand).

Provisions for the post-employment benefit entitlements of individual employees and pensioners are calculated using the projected unit credit method taking into account actuarial principles and all binding obligations on the balance sheet date. The present value is calculated using a 1.87 % interest rate and a 1.5 % rate of benefit increase. As provided in Section 253(2) sentence 2 HGB, the underlying interest rate used to discount pension obligations corresponds to the average market interest rate from the past ten financial years based on an assumed term of 15 years as calculated and published by the German Bundesbank in accordance with the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*, or *RückAbzinsV*). The excess amount on 31 December 2021 resulting from exercising the option to choose between a seven and a ten prior year average discount rate is EUR 338 thousand (prior year: EUR 497 thousand) resulting from leasing contracts and purchase commitments. The corresponding amount for HOFTEX GROUP AG of EUR 275 thousand (prior year: EUR 406 thousand) falls short of the dividend pay-out threshold.

The company pension scheme has been closed to new members since 1976. According to an agreement dated 14 December 1994, all unvested and vested pension entitlements were fixed and guaranteed at their corresponding Deutschmark amount with effect from 31 December 1994.

We use Prof. Dr. Klaus Heubeck's 2018 G Standard Tables for estimating biometric probabilities. The salaries have already been frozen and will therefore no longer be increased. As the scheme is closed to new members, no fluctuation rate is taken into account.

Pursuant to Section 290(2) no. 4 HGB and its interpretation in DRS 19 (published on 20 December 2019), relief funds (*Unterstützungskassen*) must now also be included in consolidation, contrary to previous accounting policies. According to this interpretation of the law, the Hoftex Group is required to include its relief fund in the consolidated annual financial statements. For the most part, the relief fund's obligations are funded by life insurance policies. The present value of the claims against insurance companies is EUR 1,409 thousand (prior year: EUR 1,432 thousand) resulting from leasing contracts and purchase commitments. Post-retirement benefit obligations, valued as stipulated by Section 253(1) sentence 2 HGB, amount to EUR 2,572 thousand (prior year: EUR 2,592 thousand) resulting from leasing contracts and purchase commitments. The net liability of EUR 1,163 thousand (prior year: EUR 1,160 thousand) is not recognised in the consolidated annual financial statements pursuant to Article 28(1) EGHGB.

Other provisions must be recognised for uncertain liabilities and impending losses from on-going transactions. Provisions must also be set aside for deferred maintenance, which is to be completed within three months after the start of the subsequent fiscal year, and for warranties granted with no legal obligation. Provisions are recognised in the amount required to meet these obligations as determined by prudent business judgement, taking all foreseeable risks into account. We have allowed for corresponding future price and cost increases. Provisions with a remaining term of more than one year were discounted using the relevant average market interest rate from the past seven financial years in accordance with the remaining term.

Liabilities are recognised at their settlement amount as of the balance sheet date.

Where hedge accounting is applied pursuant to Section 254 HGB, the amounts are reported using the so-called "net hedge presentation method" (*Einfrierungsmethode*). There were no transactions in the portfolio on the balance sheet date.

(5) Currency translation

Assets and liabilities denominated in foreign currency were translated using the average spot market rate on the balance sheet date. Where the residual term is less than one year, the acquisition cost no longer represents the upper value limit and gains must be recognised in income.

The assets and liabilities of all companies within the Group are translated using the average spot market rate on the balance sheet date. Differences arising from the debt consolidation are included in the items "change in equity from currency translation" without affecting net income. Historic exchange rates are used for all equity items. Expenses and income are converted at the annual average rate published by the European Central Bank.

(6) Changes in comprehensive income for the period from 1 January to 31 December 2021

in EUR thousand	Acquisition and production costs						Cumulative depreciation amounts					Net carrying amounts	
	Balance on 01/01/2021	Currency translation	Additions	Reclassifi-cations	Disposals	Balance on 31/12/2021	Balance on 01/01/2021	Currency translation	Additions	Disposals	Balance on 31/12/2021	Balance on 31/12/2021	Balance on 31/12/2020
I. Intangible assets													
1. Purchased software and other rights	6,039	8	98	0	10	6,135	4,486	7	769	0	5,262	873	1,553
2. Goodwill	566	0	0	0	0	566	264	0	113	0	377	189	302
	6,605	**8**	**98**	**0**	**10**	**6,701**	**4,750**	**7**	**882**	**0**	**5,639**	**1,062**	**1,855**
II. Tangible assets													
1. Land and buildings	136,964	1,715	96	410	13,489	125,696	85,655	594	1,956	11,816	76,389	49,307	51,309
2. Machines and equipment	192,126	3,227	3,275	4,861	3,650	199,839	153,584	2,389	7,966	3,600	160,339	39,500	38,542
3. Other equipment, furniture and fittings	23,641	178	951	116	615	24,271	19,539	161	1,039	592	20,147	4,124	4,102
4. Prepayments and assets under construction	4,648	7	4,953	-5,387	0	4,221	0	0	0	0	0	4,221	4,648
	357,379	**5,127**	**9,275**	**0**	**17,754**	**354,027**	**258,778**	**3,144**	**10,961**	**16,008**	**256,875**	**97,152**	**98,601**
III. Long-term financial assets													
1. Investments	16	0	0	0	0	16	0	0	0	0	0	16	16
2. Other loans	1	0	0	0	0	1	0	0	0	0	0	1	1
	17	**0**	**0**	**0**	**0**	**17**	**0**	**0**	**0**	**0**	**0**	**17**	**17**
	364,001	**5,135**	**9,373**	**0**	**17,764**	**360,745**	**263,528**	**3,151**	**11,843**	**16,008**	**262,514**	**98,231**	**100,473**

Consolidated Financial Statements
Notes to the Consolidated Financial Statements

(7) Inventories

	31/12/2021	31/12/2020
Raw materials, consumables and supplies	17,637	12,999
Unfinished goods, services in progress	2,975	2,746
Finished goods and merchandise	14,619	13,627
	35,231	**29,372**

(8) Accounts receivable and other assets

	31/12/2021	31/12/2020
Trade receivables	16,509	15,993
Receivables from affiliated companies	19	75
Other receivables and other assets	3,616	2,805
	20,144	**18,873**

Other assets include items with a term of over one year amounting to EUR 11 thousand (prior year: EUR 0 thousand). The remaining receivables items do not include any items with a term of more than one year (as in the previous year).

The full amount of receivables from affiliated companies results from trade receivables as in the previous year.

(9) Cash and cash equivalents

The cash and cash equivalents relate to cash-in-hand, cheques and bank balances.

(10) Deferred tax assets and liabilities

Temporary differences between the book value and the tax base are recognised primarily for tangible fixed assets, receivables and other assets, long-term financial assets, other provisions and pension provisions. In addition, in the calculation of deferred tax assets, tax loss carry-forwards must be recognised in the amount of the net losses expected to accumulate over the following five years.

Deferred tax assets and liabilities are only recognised in the annual financial statements of the Group companies where deferred tax liabilities exceed deferred tax assets. EUR 1,043 thousand in deferred tax assets was also reported for consolidation entries during the 2021 fiscal year.

The following table shows the development of deferred tax assets and liabilities during fiscal 2021:

	2021	2020	Change
Deferred tax assets	1,043	1,126	-83
Deferred tax liabilities	684	684	0

(11) Subscribed capital

The subscribed capital of HOFTEX GROUP AG amounts to EUR 13,919,988.69 and is divided into 5,444,800 no-par value bearer shares, with each share carrying one vote. One share represents a notional par value of EUR 2.56 (rounded) in the share capital.

(12) Authorised capital

With a resolution dated 12 July 2019, the Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital by up to EUR 5,000 thousand on one or more occasions on or before 11 July 2024, whereby the shareholders' subscription rights may be excluded. To date, the Management Board has not exercised its authority to increase the share capital.

(13) Capital reserves

HOFTEX GROUP AG reported capital reserves amounting to EUR 41,158 thousand. Pursuant to Section 272(2) no. 1 HGB, this figure includes a premium of EUR 2,199 thousand from the capital increase implemented in 2008 as well as capital contributions from former shareholders.

(14) Revenue reserves

	2021	2020
Revenue reserves on 1 Jan.	55,254	54,254
Allocations pursuant to Section 58(3) AktG	0	1,000
Allocations pursuant to Section 58(2) AktG	1,500	0
Revenue reserves on 31 Dec.	**56,754**	**55,254**

(15) Appropriation of net profit

	2021	2020
Consolidated net gains on 1 Jan.	1,455	133
Allocation to other revenue reserves by the Annual General Meeting pursuant to Section 58(3) AktG	0	-1,000
Dividend payment	-817	-816
Consolidated net income for the year	3,724	3,138
Allocation to other revenue reserves by the Management Board and Supervisory Board pursuant to Section 58(2) AktG	-1,500	0
Consolidated net gains on 31 December	**2,862**	**1,455**

(16) Provisions

	31/12/2021	31/12/2020
Provisions for pensions and similar obligations	8,681	9,598
Excess of plan assets over pension liability	-805	-1,138
Disclosure of pension provisions	7,876	8,460
Tax provisions	221	58
Other provisions	8,508	9,063
	16,605	**17,581**

Other provisions are mainly obligations towards members of staff, guarantees, deferred maintenance as well as outstanding invoices.

(17) Liabilities

	31/12/2021	31/12/2020
Liabilities to banks	22,858	36,317
Trade payables	6,923	6,351
Liabilities on bills accepted and drawn	189	229
Liabilities to affiliated companies	4,793	5,318
Other liabilities	2,676	2,645
of which taxes	(620)	(786)
of which social security	(127)	(138)
	37,439	**50,860**

Liabilities to affiliated companies include EUR 4,793 thousand (prior year: EUR 5,318 thousand) to companies of the ERWO affiliated group. Of that amount, EUR 2,458 thousand relates to temporary working capital loans granted by China-based Zhangjiagang Yangtse Spinning Co. (ZYS) to Tenowo Huzhou New Materials Co. Ltd., which bear interest at current rates. At EUR 2 thousand (prior year: EUR 76 thousand), liabilities to affiliated companies relate to delivery and service translations with EUR 2,333 thousand (prior year: EUR 1,965 thousand) with other liabilities.

Residual maturity	31/12/2021 Less than 1 year	Over 1 to 5 years	More than 5 years	31/12/2020 Less than 1 year	Over 1 to 5 years	More than 5 years
Liabilities to banks	4,674	18,184	0	23,713	12,604	0
Trade payables	6,923	0	0	6,351	0	0
Liabilities on bills accepted and drawn	189	0	0	229	0	0
Liabilities to affiliated companies	4,793	0	0	5,318	0	0
Other liabilities	2,676	0	0	2,645	0	0
of which taxes	(620)	(0)	(0)	(786)	(0)	(0)
of which social security	(127)	(0)	(0)	(138)	(0)	(0)
	19,255	**18,184**	**0**	**38,256**	**12,604**	**0**

As a Group, HOFTEX GROUP AG and its subsidiaries are jointly and severally liable for all debts to their lending banks.

(18) Classification of sales

	2021	2020
By division		
Hoftex	7,495	6,589
Neutex	12,980	13,347
Tenowo	115,357	117,273
Other	2,025	2,131
	137,857	**139,340**
By region		
Germany	47,778	49,220
Other EU member states	41,449	40,027
Rest of world	48,630	50,093
	137,857	**139,340**

(19) Other operating income

	2021	2020
Income from the reversal of provisions	1,057	1,469
Income from currency movements	416	143
Income from the disposal of fixed assets	3,579	64
Income from the recovery of receivables written off in prior periods and income from reduction in valuation allowances	721	152
Other prior-period income	271	335
Other operating income	9,236	1,280
	15,280	**3,443**

The income from the disposal of fixed assets includes profits of EUR 3,504 thousand from the sale of land and buildings not required for operations. Other operating income includes EUR 7,700 thousand in insurance compensation for property damage and for loss of revenue as a result of an interruption in operations due to flood damage at the Hof nonwovens plant in 2021.

(20) Cost of materials

	2021	2020
Cost of raw materials, consumables and supplies, and of purchased merchandise	63,425	60,046
Cost of purchased services	3,261	4,228
	66,686	**64,274**

The cost of materials ratio based on gross revenue amounts to 48.2 % (prior year: 46.3 %).

(21) Personnel expenses

	2021	2020
Wages and salaries	35,955	33,344
Social security, post-employment and other employee benefit costs	7,189	7,113
of which for post-employment benefits	(207)	(126)
	43,144	**40,457**

On average during the year under review, the company employed:

	2021	2020
Commercial employees	699	706
Salaried employees	303	304
	1,002	**1,010**

Beyond this, there were 35 apprentices on average (prior year: 43).

(22) Other operating expenses

	2021	2020
Addition to valuation allowances, derecognition of receivables	27	872
Expenses resulting from currency movements	347	485
Other prior-period expenses	530	325
Other general and administrative expenses	5,859	5,389
Operating costs	13,072	8,065
Selling expenses	5,065	5,229
Other operating expenses	1,837	1,088
	26,737	**21,453**

The item operating costs includes EUR 4,906 thousand in expenses caused as a result of flood damage at the nonwovens plant in Hof. These are mainly repair and third-party cleaning expenses.

(23) Net interest income

	2021	2020
Other interest and similar income	-1	25
of which negative interest rates on deposits	(-28)	(-3)
of which from affiliated companies	(0)	(0)
Interest and similar expenses	-1,117	-1,256
of which to affiliated companies	(-133)	(-191)
of which from the reversal of discounting on pension obligations	(-230)	(-256)
	-1,118	**-1,231**

The excess of plan assets over pension obligations from the reversal of discounting on pension obligations amounts to EUR 13 thousand (prior year: EUR 28 thousand) resulting from leasing contracts and purchase commitments.

(24) Taxes on income

	2021	2020
Corporate income tax fiscal year	42	-14
Release of prior-year tax provisions	0	74
Corporate income tax refunds	25	107
Additional corporate tax payments	-10	0
Foreign withholding tax on income and earnings	296	0
Trade tax fiscal year	0	-44
Release of prior-year tax provisions	44	0
Changes in deferred taxes	-83	34
Tax income	**314**	**157**

(25) Other taxes

Other taxes of EUR 607 thousand (prior year: EUR 592 thousand) generally refer to property taxes.

(26) Auditors' fees

Our Munich-based auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft charged fees totalling EUR 321 thousand (prior year: EUR 291 thousand).

The following table provides a breakdown of the fees:

	2021	2020
Auditing services	178	174
Other certification services	45	20
Tax consultancy services	98	97
	321	**291**

(27) Remuneration of the Supervisory Board and Management Board

The disclosure of the total remuneration of the Management Board in accordance with Section 314 no. 6a) HGB is not required under the exemption provision of Section 314(2) in conjunction with Section 286(4) HGB.

The total remuneration of the Supervisory Board members amounts to EUR 90 thousand (prior year: EUR 92 thousand) resulting from leasing contracts and purchase commitments.

Remuneration paid to former members of the Management Board and their survivors amounts to EUR 293 thousand (prior year: EUR 293 thousand) resulting from leasing contracts and purchase commitments. Provisions totalling EUR 3,226 thousand (prior year: EUR 3,267 thousand) have been recognised for pension obligations to former members of the Management Board and their survivors.

(28) Consolidated cash flow statement

The cash and cash equivalents disclosed here comprise highly liquid funds. Cash flows from operating activities were determined using the indirect method. Starting with the consolidated net income for the year, we use significant non-cash expenses and income and changes, almost exclusively exchange rate effects, in the net current assets to determine the cash flows from operating activities. The statement records cash outflows from investment and financing activities as well.

(29) Contingent liabilities

	2021	2020
Guarantee obligations	82	70

Based on past experience, we do not expect any claims arising from contingencies.

(30) Other financial commitments

The other financial commitments include EUR 2,412 thousand (prior year: EUR 3,488 thousand) resulting from leasing contracts and purchase commitments.

(31) Events after the reporting date

The effects of Russia's military attack on Ukraine represent a material event for accounting purposes and are thus in principle only to be taken into account in the financial statements for 2022. At the time of finalisation of the consolidated financial statements, it is not possible to conclusively estimate the effects of the Russia-Ukraine conflict on supply chains, customer markets that are relevant to us (specifically automotive), raw material, transport and energy prices, and the development of inflation and thus the development of global GDP. Consequently, it is currently not possible to provide specific information on the financial impact of this situation on the Group. In addition, we refer to our explanations in sections "5.1. Outlook on macroeconomic conditions" and "5.3. Outlook – business performance" of the Group Management Report.

(32) Members of the Supervisory Board

Tom Steger
Chairman
Independent Attorney
Nuremberg

Martin Steger
Deputy Chairman
Independent Property Developer
Nuremberg

Werner Berlet
Retired
(former IT Manager at Elmotec Statomat GmbH)
Bad Homburg v.d. Höhe

Renate Dempfle
Managing Director of PDV Inter-Media GmbH
Augsburg

Johanna Falasa*
Commercial Employee
Münchberg

Joseph Kronfli (from 9 July 2021)
Managing Director of the Nürnberger Baugruppe Verwaltungsgesellschaft mbH
Hilden

Melanie Liebert
Independent Auditor and Tax Adviser
Augsburg

York Riedel (to 9 July 2021)
Independent Attorney
Nuremberg

Wolfgang Schmidt*
Retired (former Chairman of the Works Council Tenowo Hof and Reichenbach)
Hof

Carmen Teismann*
Laboratory Employee
Schwarzenbach/Saale

* elected by employees

(33) Members of the Management Board

Klaus Steger
Chairman of the Management Board, Chief Executive Officer
Nuremberg

Manuela Spörl
Chief Financial Officer
Hof

(34) Corporate group

HOFTEX GROUP AG, Hof, is a small corporation as defined in Section 267 HGB, the parent company of the Group and also a subsidiary of ERWO Holding AG, Schwaig. The two companies both prepare consolidated financial statements as the parent company of their respective groups that include each of their subsidiaries; HOFTEX GROUP AG did not avail of the exemption provisions of Section 291 HGB. ERWO Holding AG prepares the consolidated financial statements for the largest group of companies and HOFTEX GROUP AG prepares the consolidated financial statements for the smallest group of companies. Both consolidated financial statements are available in the Electronic Federal Gazette.

(35) Group parent company's proposal for the appropriation of net income

With the consent of the Supervisory Board, a proposal will be made to the Annual General Meeting to allocate the net retained profits of HOFTEX GROUP AG as follows:

Payment of a dividend of EUR 0.13 per share on the subscribed capital of EUR 13,919,988.69 (= 5,444,800 no-par value shares)	EUR 707,824.00
Allocation to the revenue reserves pursuant to Section 58(3) AktG	EUR 1,000,000.00
Carry forward to new account	EUR 550,422.49
Net retained profits	**EUR 2,258,246.49**

Hof, 29 April 2022

HOFTEX GROUP AG

The Management Board

Klaus Steger Manuela Spörl

INDEPENDENT AUDITOR'S REPORT

To HOFTEX GROUP AG, Hof/Saale

AUDIT OPINION

We have audited the consolidated annual financial statements of HOFTEX GROUP AG, Hof/Saale, and its subsidiaries (the Group) – comprising the balance sheet as of 31 December 2021, the consolidated income statement, the statement of changes in equity, cash flow statement and notes for the fiscal year from 1 January to 31 December 2021 and the notes to the consolidated annual financial statements, including a presentation of the accounting policies. We also audited the Group Management Report of HOFTEX GROUP AG, Hof/Saale, for the fiscal year from 1 January to 31 December 2021. In accordance with applicable German law, we did not audit the content of the Statement on Corporate Governance pursuant to Section 289f(4) HGB included in Section 3 of the Group Management Report.

In our opinion, based on the results of our audit,
- the enclosed consolidated financial statements comply with all German commercial laws and provide a true and fair view of the Group's net assets and financial position in accordance with German principles of proper accounting as of 31 December 2021 and the results of its operations for the fiscal year from 1 January to 31 December 2021 and
- the enclosed Group Management Report provides a true and fair view of the Group's situation. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German statutory provisions and accurately reflects the opportunities and risks of future growth. Our audit opinion on the Group Management Report does not extend to the content of the Statement on Corporate Governance.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit of the consolidated financial statements has not led to any reservations.

BASIS FOR OUR AUDIT OPINION

We conducted our audit of the consolidated financial statements and the Group Management Report in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility in accordance with these regulations and principles is further outlined in the "Responsibility of the auditor for auditing the Consolidated Financial Statements and Group Management Report" in our auditor's report. We are independent of the company in compliance with German commercial and labour laws and have performed all of our other professional duties under German law in accordance with these provisions. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the Group Management Report.

OTHER INFORMATION

All other information is the responsibility of the Management Board/Supervisory Board. Other information includes:
- the Supervisory Board Report,
- the statement on corporate governance of the HOFTEX GROUP AG pursuant to Section 289f(4) HGB in Section 3 of the Group Management Report,
- all other parts of the Annual Report,
- but not the consolidated financial statements, not the reviewed contents of the Group Management Report statements and not our corresponding auditor's report.

The Supervisory Board is responsible for the Supervisory Board Report. For the remainder, the Management Board is responsible for all other information.

Other information is beyond the scope of our audit opinion on the consolidated financial statements and the Group Management Report. As such, we are not providing an audit opinion or any other form of audit conclusions related thereto.

In conjunction with our audit, we are responsible for reading the other information mentioned above and determining whether this other information

- substantially deviates from the consolidated financial statements, the reviewed Group Management Report statements or our knowledge gained during the audit or
- in any other way appears to have been presented incorrectly.

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

The Management Board is responsible for preparing the consolidated financial statements, which comply with German commercial law in all material respects, and ensuring that they provide a true and fair view of the Group's net assets, financial position and results of operations, in accordance with German principles of proper accounting. Management is also responsible for the internal controls it deems necessary in accordance with German principles of proper accounting to enable the preparation of consolidated financial statements that are free from material misstatement – whether intentional or unintentional.

When preparing the consolidated financial statements, the Management Board is responsible for determining the Group's ability to continue as a going concern. It is also responsible for disclosing matters related to its business activities as a going concern provided these are relevant. Beyond this, the Management Board is responsible for balancing the activities of a going concern based on accounting principles, insofar as this does not conflict with actual or legal circumstances.

Moreover, the Management Board is responsible for preparing the Group Management Report, which provides a true and fair view of the Group's situation, is consistent with the consolidated financial statements in all material respects, complies with German statutory provisions and accurately reflects the opportunities and risks of future growth. Furthermore, the Management Board is responsible for enabling precautions and measures (systems) it deems necessary to prepare the Group Management Report in accordance with applicable German legal regulations and the ability to provide sufficient, suitable proof of the statements made in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for preparing the consolidated financial statements and the Group Management Report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement – whether intentional or unintentional – and whether the Group Management Report as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements and the findings of our audit, complies with German legal regulations and accurately reflects the opportunities and risks of future growth, and to express an opinion that includes our audit opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected for them to individually or collectively influence the business decisions of addressees made on the basis of these consolidated financial statements and the Group Management Report.

During the audit, we exercise due diligence and maintain a critical view. Moreover,

- We identify and assess the risk of material misstatements – whether intentional or unintentional – in the consolidated financial statements and the Group Management Report, plan and perform auditing activities in response to these risks and obtain evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of material misstatements not being detected is higher for violations than for inaccuracies, as violations may include fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the overriding of internal controls.

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of internal report to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the efficacy of these systems.
- We assess the appropriateness of the accounting policies used by the Management Board and the reasonableness of the estimates made by the Management Board and related disclosures.
- We draw conclusions on the appropriateness of the accounting principle applied by the Management Board for the continuation of the Company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the consolidated financial statements and on the Group Management Report based on the information contained therein or, if such information is inappropriate, to modify our respective opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue as a going concern.
- We express an opinion on the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and on whether the consolidated financial statements present the underlying transactions and events in such a way that they provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the Group Management Report. We are responsible for directing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.
- We assess whether the Group Management Report is consistent with the consolidated financial statements, whether it conforms to applicable laws and the picture it presents of the Group as a whole.

- We perform audit procedures on the forward-looking statements presented by the Management Board in the Group Management Report. On the basis of sufficient, suitable audit evidence, we verify in particular the material assumptions underlying the forward-looking statements made by the Management Board and assess proper inferences made based on the assumptions from these forward-looking statements. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit with the individuals who are responsible for oversight.

Munich, 29 April 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Klaus Löffler
Auditor

Martin Teske
Auditor

HOFTEX GROUP AG

Balance Sheet as of 31 December 2021

Assets in EUR thousand	31/12/2021	31/12/2020
Fixed assets		
Intangible fixed assets	626	1,284
Tangible assets	1,133	1,245
Long-term financial assets	104,223	104,343
	105,982	**106,872**
Current assets		
Accounts receivable and other assets	61,595	56,994
Cash and cash equivalents	4,782	17,492
	66,377	**74,486**
Accrued and deferred items	**472**	**78**
Balance sheet total	**172,831**	**181,436**

Equity and liabilities in EUR thousand	31/12/2021	31/12/2020
Equity		
Subscribed capital	13,920	13,920
Capital reserves	41,158	41,158
Revenue reserves	59,715	58,215
Net retained profits	2,259	949
	117,052	**114,242**
Provisions	**6,724**	**7,150**
Liabilities		
Liabilities to banks	22,500	36,000
Trade payables	161	197
Liabilities to affiliated companies	25,922	23,643
Other liabilities	472	204
	49,055	**60,044**
Balance sheet total	**172,831**	**181,436**

HOFTEX GROUP AG

Income Statement for the 2021 fiscal year

in EUR thousand	2021	2020
Sales	4,180	4,585
Other operating income	39	108
Personnel expenses	-2,581	-2,906
Depreciation, amortisation and write-downs	-819	-895
Other operating expenses	-2,296	-2,170
Net investment income	4,172	209
Net interest income	1,005	1,068
Taxes on income	15	168
Earnings after tax	**3,715**	**167**
Other taxes	-89	-80
Net income for the fiscal year	**3,626**	**87**
Retained profits brought forward	133	862
Appropriation to revenue reserves	-1,500	0
Net retained profits	**2,259**	**949**

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