HALF-YEAR FINANCIAL REPORT - JUNE 30, 2012

TEXTILGRUPPE HOF AKTIENGESELLSCHAFT

January 1, 2012 to June 30, 2012

AN OVERVIEW OF TEXTILGRUPPE HOF GROUP

Textilgruppe Hof AG (ISIN:DE0006760002; WKN: 676000) based in Hof with subsidiaries in Germany, the USA, the Czech Republic, Romania, as well as a joint venture in India, is the financial holding company of Textilgruppe Hof, which is a group of enterprises within the textile industry, structured as a medium-sized company. The group's main activities include the production of raw and dyed yarn; greige, dyed fabric and decorative fabrics, as well as the production of nonwovens for technical applications and the apparel industry.

Effective June 29, 2009, share prices of the parent company Textilgruppe Hof AG are determined by the OTC market. Therefore they are no longer considered “capital market oriented” or “as listed on the stock exchange” as defined by the HGB (German Commercial Code).

According to its function as the holding company, Textilgruppe Hof AG mainly provides central administrative services for its subsidiaries and has the strategic coordination and guidance function for the group. For tax purposes Textilgruppe Hof AG has profit/loss transfer agreements with relevant associated companies which are involved in the daily operational activities. These affiliates transfer their respective profit to Textilgruppe Hof AG, or may have any losses offset by the company. At the level of the holding company all profit/loss results of the subsidiaries are consolidated and together with the original profit/loss of the Textilgruppe Hof AG it defines the final profit/loss result for Textilgruppe Hof AG. To the extent permitted by tax law, this annual result is charged against tax losses of Textilgruppe Hof AG carried forward.

RELEVANT KEY FIGURES OF TEXTILGRUPPE HOF GROUP

	Half-year report January 1, 2012 to June 30, 2012	Half-year report January 1, 2011 to June 30, 2011
Total revenues	112,371	121,605
EBITDA	9,855	9,788
EBIT	5,303	5,324
Cash flow	7,944	7,942
Cash flow from operating activities	15,146	-5,723
Consolidated result of the reporting period	4,148	4,030
Earnings per share (in EURO)	0.762	0.740
Equity capital 1)	95,472	89,625
Equity ratio (economic equity)	59.2%	52.8%
Number of employees as of report cut-off date	1,454	1,618

1) Reported equity capital, incl. special items at 71%, incl. subordinated long-term shareholder funds

1. Business development and relevant business transactions for the first half of 2012

During the first half of 2012, the growth rate in Germany, compared to forecasts, was well above expectations. Employment grew continuously despite intense concerns of economic gloom, resulting in further positive impulses for consumer confidence among private households. Due to the generally weak development of the global economy, warnings have been issued for Germany as well with respect to further potential economic slowdown in the second half of the year.

The favorably domestic economic development contributed to the positive business development of Textilgruppe Hof AG during the first quarter 2012. The second quarter however was somewhat subdued. The consolidated statement shows a decline in revenues due to considerably higher prices of the business unit **yarns & fabrics** at the reference period of the previous year as well as decreased sales of this business unit due to the reduction of production as a result of the planned closing of the spinning mill Schützenstraße which commenced in March 2012. The intent of the plant closure is to adjust the spinning mill capacity to altered market conditions. By concentrating the spinning production at one single Hof Garn GmbH mill and subsequently operating that plant at full capacity, advantageous cost conditions are again achievable.

The sales increase of the business unit **nonwovens** comes from all production facilities, whereas the most substantial growth was achieved by the US-American subsidiary Hof Textiles Inc. Further sales increase was curbed by limited production capacity. As a matter of fact, all production facilities of the business unit **nonwovens** have been operating at capacity; therefore an increase in sales may only be achieved by investing in additional production capacity at all plants. Rather high levels of operating capacity naturally account for optimal cost structures which are clearly reflected by the development of earnings. USD exchange rate gains contributed as well. However, those are consolidated at subgroup level as well as at the consolidated statement. The shareholding in the Indian joint venture Supreme Nonwovens Pvt. Ltd. has also developed very favorably. During the first half of 2012 an increase in sales of 11% was achieved, compared to the same period of the previous year, however, costs increased due to the devaluation of the Indian currency which impacted earnings. The business unit **nonwovens** is our most successful division. Its earnings performance was sufficient to offset charges, particularly those generated by the business unit **yarns & fabrics**. The consolidated subgroup result shows a profit of €5.5m up from €5.0m in the previous year, after consolidation of exchange rate gains (previous year: losses) and intercompany profits.

During the first quarter sales revenue of the business unit **yarns & fabrics** developed initially satisfactorily. However, when in March raw materials prices relapsed further after a brief recovery, sales dropped anew similarly to early summer of the previous year. Customers reduced releases and requested shorter lead times.

The two Hof Garn GmbH owned spinning mills were utilized only suboptimal. Therefore it was determined to close the oldest production base – Schützenstraße at Hof – and to combine the most advanced machines from both spinning mills at the by far more modern and cost effective spinning facility in Moschendorf. The process will be concluded by the end of this year. Subsequently we are expecting a significant improved cost structure due to higher capacity utilization, with the expectation that the spinning mill Hof Moschendorf will become profitable again based on today's economic conditions. Sales of Hof Garn GmbH for the first half of the year were 72% of previous year, mainly due to the overall market development and reduced production capacity. Shut-down costs are expected to be offset by expected proceeds from the sale of equipment, which means that the year 2012 will mostly be effected by unfavorable production conditions during most of the year. Sales revenue in all other domestic spinning companies declined relatively severely as well, however, all mills generated positive financial results. The basic economical conditions for Hof Weberei GmbH were similar to those at Hof Garn GmbH. Sales decreased by an expected rate of 10% due to a reduction of production capacity and an increase in shifts on the other hand. This measure reduces a portion of the fixed costs. Hof Weberei GmbH performance is in line with prior year figures at a loss of €0.3m. The entire business unit **yarns & fabrics** posted a total loss of €1.0m in comparison to the previous year deficit of €0.3m. This result already includes parts of the shut-down costs, whereas no meaningful proceeds from the sale of machines have been recorded by the report cut-off date. First significant proceeds from no longer needed and already sold spinning machines will take effect upon receipt of funds during the second half of the year. We do not anticipate any extraordinary costs for the second half of the year, such as the substantial impairment losses of the year 2011. The expected loss for the business unit will be considerably lower than in 2011.

Effected by weaker business environment during second quarter our smallest business unit **home deco** has not yet shown any improvement. The division recorded a decline in domestic sales, however, a slight increase for its international business. Continuing in 2012, this business unit is effected by structural changes in global competition. While sales volume remained almost the same, the decline in domestic sales was mainly impacted by pricing, whereas the rather big decline of export volume was mostly offset by price increases. However, by regions the developments were completely different : exports in Western Europe experienced a sharp downturn, however sales in Russia increased at favorable prices. Domestic sales decreased by 2.3% compared to last year while export sales increased by 1.3%. This year this business unit reports a profit of €0.2m versus a loss of €0.5m last year.

Based on our medium-term forecasts we are expecting improved results, however not at the pre economic crisis level.

The **holding** together with the **real estate** unit reflect a solid performance. Solely the variability and the recharging of capital costs for the individual years resulted in slight fluctuations of results. Due to the **holding's** increasing capital costs the interest balance for borrowed capital costs and recharged cash-pool interest has deteriorated by €0.1m compared to the previous year. In addition, due to the significant increase in taxable profits of the controlled companies it was necessary to make a provision for tax on income of €0.3m. Accordingly, the result - prior to the profit/loss transfer from its affiliates - has changed from a loss of €0.4m in the previous year to a loss of €0.8.

With respect to the **group's profit and loss statement** last year's improvements of the cost structure mostly remained, although ratios of individual cost types with respect to operating performance impaired slightly due to the lower value of operating performance. It is essential though that the cost of materials ratio is no longer burdened by poor prices and impairment losses, so that an improvement by almost 4 points to 57.6% was recorded, compared to 61.5% of the previous year. Correspondingly the gross profit ratio has increased by 4 percentage points to 42.4%. The still highly favorable cost structure as follows: In terms of total revenue at total cost method (excluding other operating income) personnel costs are at 21.5% versus 20% last year. Depreciation has increased to 4.1% from 3.6%, and other operating expenses less other operating income have increased again to 11% from 10% of the previous year. In a long-term comparison these are still very solid cost structures. The calculated change of these relations is essentially due to the lower "total revenue". The decline in total revenue is mainly due to drastic price decreases, particularly with respect to cotton, and the resulting lower sales prices.

The improvement of gross profit, together with still favorable cost structures due to a high level of capacity utilization have provided for results exceeding last year's. Profit for ordinary operating activities has increased to €4.9m from €4.6m. Due to higher taxes the net income of the group has improved only by €0.1m to €4.1m.

During the same period last year, the increased raw materials prices, mainly for natural fibers, led to an inventory value increase, however, as expected the increase in inventory value reversed during the first half of 2012. Compared to values recorded on January 1, 2012, inventories have diminished by €6.1m, and compared to those recorded on June 30, 2011 even by €12.6m.

The successful reduction in inventories in recent years continues in 2012, after a brief break in 2011. The resulting inflow of funds benefits the very strong financial standing.

Typically the accounts receivables are in accordance with relating sales figures. This essentially means that if sales increase by a certain percentage, then the receivables, assuming the same payment behavior, will increase to the same extent. At the cut-off date of June 30, 2012, this correlation was not noted. Compared to December 31, 2011 figures, receivables have not decreased, but have increased by €1.3m. However, compared to June 30, 2011 figures, receivables have actually decreased by €3.5m. The reason for the increase in receivables during the first half of this year is that sales took a severe plunge during the second half of 2011 while increasing again nicely during the first quarter 2012.

The **EBITDA** for Textilgruppe Hof during the first six months remained the same at €9.9m compared to previous year. The same holds true for the **EBIT** which has remained stable at €5.3m.

2. Employees

The number of employees has decreased from 1,618 of the previous year to 1,448 as of June 30, 2012, mainly due to the closure of one of the spinning mills.

3. Investments

As of June 30, 2012, a total of €6.7m were invested. The main focus of investment of €5.8m was at the business unit **nonwovens**. This business unit shows the highest return of investment rate, having reached its capacity limits several times during the last two years. The expansion of the production facility of Techtex GmbH Vliesstoffe, which had commenced in 2011, is the main reason for the investment. We anticipate spending another €5.0m on investments during the second half of the year. Further investments are planned for major facility expansions over the next years. We are currently engaged with securing the financing for these substantial investments; contract conclusions should be imminent. Based on June 30, 2012 figures our liquidity situation has been extremely stable, allowing us to fund capital expenditures as planned for the second half of this year.

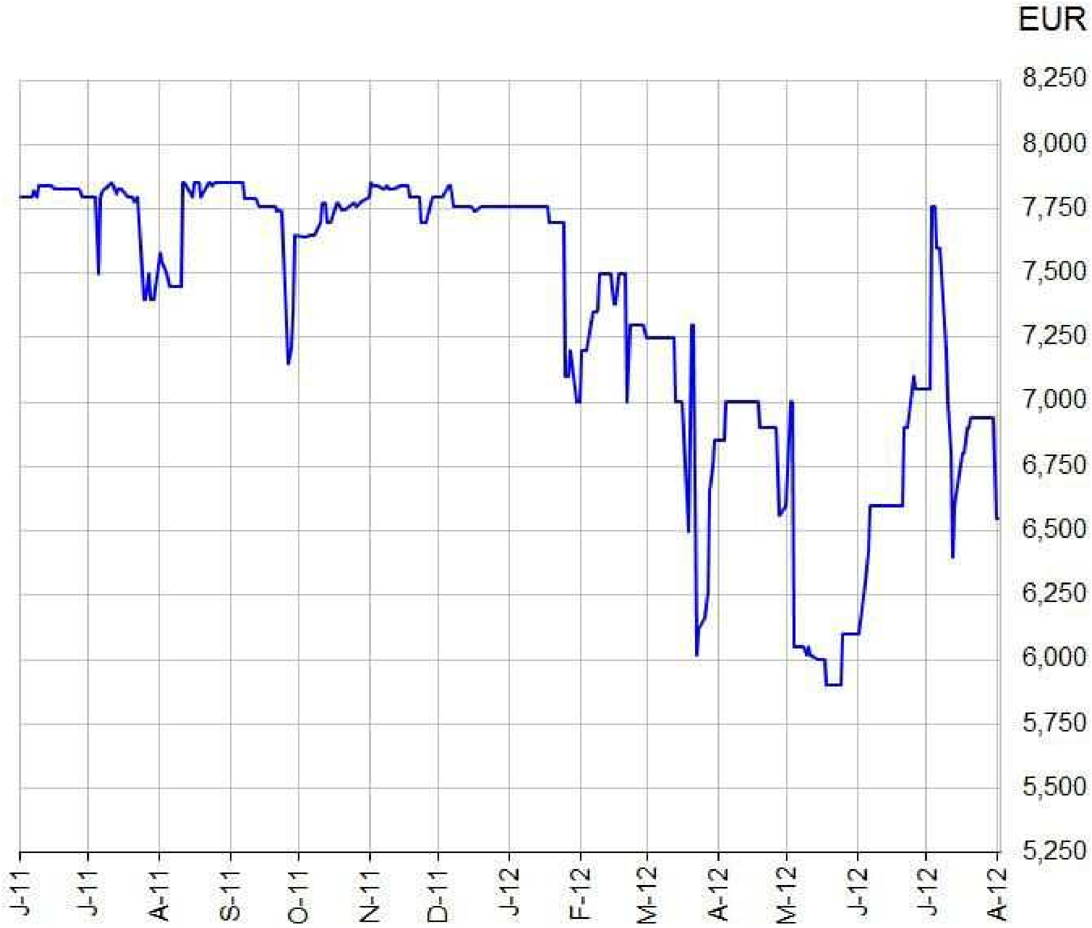
4. Order situation

As of the report cut-off date of June 30, 2012 the contractually confirmed order backlog for the group, particularly for **yarns & fabrics**, has amounted to €31.2m compared to an order backlog of €43.5m as of June 30 of the previous year. The lower order volume illustrates two things. Last year's high volume was due to supply uncertainties and the even higher pricing levels for cotton and other fibers. This year's lower order volume reflects the customers' order reservations as mentioned at the beginning, as well as the increase in placing orders on short notice.

5. Company share

The subscribed capital of Textilgruppe Hof AG amounts to €13,919,918.69 and is divided into 5,444,800 no-par-value bearer shares, with one share representing one vote. One share represents a calculated share of €2.56 of the company's capital. In addition to the subscribed capital, the group has at its disposal capital reserves in the amount of €41,158 and retained earnings at €30,878. Net profit for the year of Textilgruppe Hof AG as of June 30, 2012 considering the half-year results was at €4,758. The company's total equity amounted to €90,714.

The following chart demonstrates the performance of our share's market price during the last 12 months



6. Initiated reorganization measures

The decision to shut-down one of the spinning mills in Hof, was based on declining markets within this area of the textile business. To-date the closure-process is on schedule. We do not expect any noteworthy impairment of earnings for Textilgruppe group in 2012. For the second half of the year we presume that the solid foundation which has been laid during the first half of the year will not be burdened by any extraordinary decline in earnings, such as the massive devaluations during the previous year.

Effective July 1, 2012 both companies within the business unit **nonwovens**, eswegee Vliesstoff GmbH and Techtex GmbH Vliesstoffe, were, as a first step, divided into a production company and an administration & sales company. For the business unit **yarns & fabrics** this operational split will take effect on August 1, 2012. As a second step, effective January 1, 2013, the administrations & sales companies will be merged by business units, as far as no tax disadvantages are incurred. We have opted for this reorganization of our operational business units with the following intent: step one, the separation of production from administration & sales is expected to yield a higher level of cost transparency, enabling for most advantageous decision-making with respect to in-house production or outsourcing, if applicable. Step two, merging the administrations & sales divisions, is anticipated to generate further synergies. These synergies will arise from avoiding “multiple costs“ (cost redundancies) as well as gaining significantly broader market access for select divisions within a business unit. In the future the business unit’s entire product spectrum shall be made available to all customers from a single source.

7. Supplementary report

Since the second quarter 2012 our relevant markets have slightly settled down. We attribute this primarily to fears stirred up in the industry, fueled by frequent announcements of economic downturns and recessions in other EU-countries. Recently the continuously increasing surplus of business information and an immense number of economic research institutes outdoing each other’s statements regarding future economic trends severely exacerbate the economic development in either direction. The multitude of scenarios about potential developments on account of the debt crisis in most countries having the Euro currency, are aggravating concerns further. It is currently not possible to assess how much the economy will react to this perturbance.

Particularly alarming in the medium-term is the future development of electricity costs. These costs are increasingly impairing our international competitiveness. We find it incomprehensible why politics permits for an economic sector, which already is considerably strained by international competition, to be further weakened by imposing costs for the energy system transformation under way. One would hope that our politicians will make a genuine attempt to tackle these issues in order to safeguard jobs in this economic sector. For the majority of the affected companies it is not a case of the so-called “old industry”, on the contrary, they are all state-of-the-art and highly capital-intensive high-tech enterprises.

No events of particular significance which may materially affect Textilgruppe Hof group’s business performance have occurred since the end of the reporting period.

Hof, September 2012

Textilgruppe Hof AG

Klaus Steger	Volker Adrion
(Chairman of the Board)	(Member of the Board)

Group Balance Sheet, dated June 30, 2012

Assets in 000's EURO	June 30, 2012	Dec 31, 2011
A. FIXED ASSETS		
Intangible assets	292	215
Tangible assets	63,495	61,825
Financial assets	6,785	6,962
	70,572	**69,002**
B. CURRENT ASSETS		
Inventories	51,739	57,790
Receivables and other assets	30,152	28,842
Liquid assets	7,011	2,452
	88,902	**89,084**
C. PREPAID EXPENSES	**570**	**469**
D. DEFERRED TAX ON ASSETS	**1,309**	**1,309**
Total assets	**161,353**	**159,864**

Equity and Liabilities in 000's EURO	June 30, 2012	Dec 31, 2011
A. EQUITY		
I. Subscribed capital	13,920	13,920
II. Capital reserve	41,158	41,158
III. Revenue reserve	27,917	27,917
IV. Equity difference from currency translation	-2,021	-2,124
V. Accumulated net loss	-4,886	-9,034
	76,088	**71,837**
B. DEFERRED INVESTMENT SUBSIDIES AND GRANTS	**3,358**	**3,726**
C. SHAREHOLDER LOAN	**14,000**	**14,000**
D. ACCRUALS	**20,317**	**21,943**
E. LIABILITIES	**47,544**	**48,310**
F. DEFERRED TAX LIABILITIES	**46**	**48**
Total liabilities	**161,353**	**159,864**

Group Profit and Loss Statement

in 000's EURO	January 1, 2012 to June 30, 2012	January 1, 2011 to June 30, 2011
Sales	112,371	121,605
Changes in inventories	-2,456	3,234
Internally produced and capitalized assets	28	11
Total revenue	**109,943**	**124,850**
Other operating income	1,501	1,482
Cost of materials	63,290	76,813
Gross profit	**48,154**	**49,519**
Personnel costs	23,664	24,300
Depreciation and amortization	4,555	4,463
Other operating expenses	13,655	14,352
Operating profit	**6,280**	**6,404**
Income from investments	152	
Financial result	-1,558	-1,788
Profit ordinary business activities	**4,874**	**4,616**
Income tax	467	200
Other taxes	259	386
Net income	**4,148**	**4,030**
Earnings per share in €	0.74	0.74
Number of no-par shares in circulation	5,444,800	5,444,800

Group Statement of Changes in Equity

in 000's EURO	Subscribed capital	Capital reserves	Retained earnings	Equity differ-ence from currency translation	Accumu-lated net loss	Total
As of January 1, 2011	13,920	41,158	26,982	-2,333	-13,560	66,167
Differences from currency translations				-538		-538
Group earnings					4,030	4,030
As of June 30, 2011	13,920	41,158	26,982	-2,871	-9,530	69,659
As of January 1, 2012	13,920	41,158	27,917	-2,124	-9,034	71,837
Differences from currency translations				103		103
Group earnings					4,148	4,148
As of June 30, 2012	13,920	41,158	27,917	-2,021	-4,886	76,088

Group Statement of Cash Flow

in 000's EURO	January 1, 2012 to June 30, 2012	January 1, 2011 to June 30, 201
Consolidated annual profit	4,148	4,030
- Gains on disposal of tangible assets	-391	-133
+ Depreciation of tangible assets	4,555	4,464
+/- Changes in deferred investment received from the government	-368	-419
+/- Changes in deferred taxes on assets / liabilities	0	0
- Changes in accruals for pensions	0	0
Cash flow	**7,944**	**7,942**
+/- Changes in inventories	6,051	-12,212
-/+ Changes in receivables, prepaid expenses and other expenses	-1,308	-7,251
+/- Changes in liabilities and other accruals unless attributed to financing activities	2,459	5,798
Cash flow from operating activities	**15,146**	**-5,723**
Cash flow from investment activities	**-5,734**	**-1,838**
Cash flow from financing activities	**-4,853**	**6,650**
Changes to liquid assets	**4,559**	**-911**
Liquid assets at the beginning of the reporting period	2,452	2,727
Liquid assets at the end of the reporting period	7,011	1,816

Textilgruppe Hof AG
Fabrikzeile 21
D-95028 Hof/Saale
Phone 0049 (0) 92 81 / 49-0
Fax 0049 (0) 92 81 / 49-216
vorstand@textilgruppehof.com
www.textilgruppehof.com