

Group Interim
Report

as of 30 June

2021

HOFTEX GROUP
TEXTILE TECHNOLOGIES

HOFTEX GROUP AG

At a Glance

Key Group Figures		1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
External sales	EUR million	75.3	65.9
Gross revenue	EUR million	77.4	64.2
Cash flows from operating activities	EUR million	2.2	5.3
Employees		1,042	1,066
Consolidated net income for the period	EUR million	2.5	-3.5
EBITDA	EUR million	9.0	3.0
Balance sheet total 30 June (prior year 31 Dec)	EUR million	182.5	176.7
Equity 30 June (prior year 31 Dec)	EUR million	111.4	107.6
Equity ratio 30 June (prior year 31 Dec)	%	61.0	60.9

ABOUT THE HOFTEX GROUP

The Hoftex Group is an SME operating in the textile industry with subsidiaries in Germany, Italy, Romania, the US, China and Mexico. With its headquarters in Hof, Germany, HOFTEX GROUP AG (ISIN: DE0006760002; WKN: 676000) serves as a holding company for the Hoftex Group. The Group's core activities are the development, production and sale of nonwovens for technical, medical, automotive and construction applications and the apparel industry, the production of decorative fabrics and technical textiles along with the dyeing and finishing of yarns.

The Hoftex Group's activities are divided into the three production divisions TENOWO, NEUTEX and HOFTEX. Each of these divisions has a management company that performs all of its sales and administrative functions, which gives the Group a clear-cut and lean structure.

TENOWO Division	NEUTEX Division	HOFTEX Division
Tenowo GmbH	Neutex Home Deco GmbH	Hoftex GmbH
Tenowo Hof GmbH	Neutex Betriebs GmbH	Hoftex Färberei GmbH
Tenowo Reichenbach GmbH	SC Textor S.A.	Hoftex Färberei Betriebs GmbH
Tenowo Mittweida GmbH		
Tenowo Inc.		
Tenowo Huzhou New Materials Co. Ltd.		
Resintex Industriale S.r.l.		
Tenowo de Mexico S. de R.L. de C.V.		

HOFTEX GROUP AG is responsible for the Group's global strategic direction and performs core duties for the Group's companies across multiple divisions.

HOFTEX GROUP AG has control and profit transfer agreements with the main production subsidiaries. All profit and loss transfers from the subsidiaries are bundled at the holding company level and combined with the primary earnings of HOFTEX GROUP AG to produce the final result of the holding company. The real estate companies Hoftex Immobilien I GmbH and Hoftex Immobilien II GmbH & Co. KG manage and perform administrative duties for the various properties and real estate assets.

THE HOFTEX GROUP SHARE

Hoftex Group shares are traded on the m:access market of the Munich Stock Exchange. Following the move to the Open Market on 29 June 2009, the Hoftex Group is no longer considered to be “publicly listed” as defined in the German Securities Trading Act (Wertpapierhandelsgesetz, or WpHG). For this reason, shareholders are no longer subject to the special provisions in the WpHG governing the duty to disclose holdings that exceed or fall below certain reporting thresholds. The principal shareholder ERWO Holding AG currently holds 4,611,129 shares. This corresponds to 84.7% of the total shares.

Share type	No-par value shares, each with a proportional share of EUR 2.56 (rounded) in the share capital
Subscribed capital	EUR 13,919,988.69
Number of no-par value shares	5,444,800
Listing	Munich Stock Exchange
Market segment	m:access
Stock exchange symbol	NBH
ISIN	DE0006760002
WKN 1)	676000

Despite the COVID-19 pandemic, business performance in 2020 was positive overall, which resulted in consolidated net income for the year of EUR 3.1 million. Therefore, the Management Board and the Supervisory Board recommended a dividend payment of EUR 0.15 per no-par value share on 9 July 2021, which corresponds to a total dividend payment of EUR 816,720.00. This proposal was adopted by a majority vote at the Annual General Meeting.

Share		1 Jan to 30 June 2021	1 Jan to 30 June 2020
Net result per share	EUR	0.45	-0.64
Equity per share 30 June (prior year 31 Dec)	EUR	20.45	19.76
Opening share price on 4 Jan 2021	EUR	9.85	11.40
High	EUR	13.20	11.60
Low	EUR	9.80	8.70
Closing share price on 30 June 2021	EUR	12.50	10.90
Market capitalisation	EUR million	68,060	59,348

GROUP PERFORMANCE IN H1 2021

Economic environment

During the first half of the year, global economies began to recover from the economic slump caused by the coronavirus pandemic. Overall, experts anticipate a growth rate in the global economy of around 6%. China (+8.1%) and India (+9.5%) are both expected to experience positive growth in 2021.

(Source: World Economic Outlook Update June 2021)

After economic performance in the Eurozone collapsed again during the first quarter of the year due to the third wave of the coronavirus, consumer spending increased in the second quarter as COVID-19 measures were loosened. In total, economic performance in the Eurozone rose during the first half of 2021. The growth forecast for the year as a whole is 4.6%. The national economies in Italy, Spain and France can expect to see above-average growth, while 3.6% growth is predicted in Germany.

The global economic recovery from the coronavirus pandemic is still relatively uneven. Industrialised countries have gained ground both in terms of vaccination rates and additional financial aid packages, which have led to rapid economic recovery. In emerging countries, more limited access to vaccines has dampened economic activity due to the appearance of newer, more infectious COVID variants. The global disruptions in the supply chain arising from the pandemic are currently constricting the flow of goods and causing price increases in preliminary products, thus placing a major burden on industry. This also has an impact on consumer prices and is slowing the dynamic recovery.

Sector trends

Sales in the German textile and apparel industry rose by 3.1% during the period from January to May compared to the previous year. Retail restrictions during the third wave of the coronavirus had a negative effect on the apparel segment in the first half of 2021 as well and led to a further decline of -6.4%. Conversely, the textile sector made a more appreciable recovery, achieving an increase of 8.1% compared to the previous year's figures. The order situation is trending positively towards recovery. In the textile sector, order intake rose by 13.8% and the order backlog rose by 24.2%. In the apparel segment, order intake is currently lower than last year at -2.8%, but the order backlog exceeds last year's at 20.7%.

(Source: textil+mode konjunktur July 2021)

Division trends

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% to EUR 64.0 million (prior year: EUR 55.0). TENOWO thus performed well (Jan-May +7,8%) compared to the industry average. Automotive, the strongest segment, made the largest contribution to sales growth. This customer market began recovering as early as the second half of 2020 and continued to grow in 2021. The business division that was so heavily impacted by the temporary factory closures at OEMs during the same period the previous year was thus able to achieve particularly good sales performance. The demand in other customer 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. The rise in demand resulted in good capacity utilisation overall in all production locations. For several weeks now, the picture has been somewhat clouded by the continuing supply shortages in the procurement market combined with sky-rocketing material and logistics costs. Our customers in the

automotive segment responded to this by reducing their production quantities, which also caused call-off orders to taper off towards the end of the second quarter.

The NEUTEX division's sales during the first half year of 2021 were EUR 6.6 million (previous year: EUR 6.2 million), which translates into a nearly 7% increase in sales. Due to the second COVID wave, which led to another lockdown that lasted many weeks, NEUTEX was unable to reach the sales targets it had set for the first half year. Online retail sales rose yet again, but closures of brick-and-mortar stores had a negative effect on business overall. NEUTEX had to react quickly and flexibly by adapting its production output to the current order intake and took advantage of short-time work during phases when capacities were under-utilised.

The HOFTEX division generated sales of EUR 3.8 million (previous year: EUR 3.7 million) with its product and service portfolio during the first half of 2021 and, like NEUTEX, failed to reach its targets. The second wave of the coronavirus foiled recovery efforts in the largest segment, apparel. Here as well, capacities were adjusted in line with order intake. The order situation gradually improved and customers began placing larger orders as COVID-19 protective measures were loosened in the second quarter.

Real estate company business went according to plan during the first half year. Sales were close to the previous year's levels. Investments in fire prevention and modernisation at the commercial property at Fabrikzeile in Hof that had already begun in 2020 went according to plan but are also similarly affected by constraints and rising costs in procurement. During the first quarter, Hoftex Immobilien II GmbH & Co. KG sold part of a property in Hof that was not necessary for operations. An acquisition agreement was concluded for the second part of the property and the buyer has already made a down payment.

Net assets, financial position and results of operations

Earnings position

On the whole, the Hoftex Group had a good start in 2021 and was able to increase sales and gross revenue during the first half of the year despite the ongoing coronavirus pandemic. Consolidated sales recuperated and rose by 14% from EUR 65.9 million in the previous year to EUR 75.3 million. The results by division break down as follows:

in EUR million	1 Jan to 30 June 2021	1 Jan to 30 June 2020
Tenowo	64.0	55.0
Neutex	6.6	6.2
Hoftex	3.8	3.7
Other	0.9	1.0
	75.3	65.9

The increase in sales had a major impact on Group profitability. Gross profit (EUR 43.6 million) rose by 24.0% compared to the prior year. The gross profit margin increased slightly by 1.6% to 56.4%.

This was due to the nearly unchanging cost of materials ratio of 46.1% (prior year: 46.5 %). The cost of materials was EUR 35.7 million (prior year: EUR 29. million) compared to other operating income of EUR 1.9 million (prior year: EUR 0.8 million). This increase is impacted by the sale of a property in Hof, which resulted in income from the disposal of fixed assets of EUR 0.8 million. Personnel expenses based on gross revenue declined from 31.8% during the same period the previous year to 29.6% during the reporting period. Depreciation and amortisation and write-downs amounted to EUR 6.0 million, slightly higher than the previous year's figure of EUR 5.8 million, and solely include scheduled depreciation of tangible and intangible assets. Other operating expenses amounted to EUR 11.3 million, as in the previous year. In terms of gross revenue, these were 14.6% (prior year: 17.6%), which is due to the rise in gross revenue. In total EBIT is EUR 3.0 million (prior year: EUR -2.8 million). Considering the interest result of EUR -0.3 million (prior year: EUR -0.6 million €), income tax of EUR -0.2 million (prior year: EUR -0.1 million) and other taxes of EUR -0.5 million (prior year: EUR -0.4 million), consolidated net income for the reporting period is EUR 2.5 million (prior year: EUR -3.5 million). This corresponds to earnings per share of EUR 0.45 (prior year: EUR -0.64)

Financial position

in EUR thousand	1 Jan to 30 June 2021	1 Jan to 30 June 2020
Cash flows from operating activities	2,150	5,278
Cash flows from investing activities	-2,945	-4,217
Cash flows from financing activities	-300	-457
Balance	-1,095	604

Despite consolidated net income of EUR 2.5 million (prior year: EUR -3.5 million), cash inflows from operating activities of EUR 2.2 million declined by EUR 3.1 million compared to the previous period. Business recovery resulted in a rise in working capital and is reflected in higher inventories (EUR +5.2 million) and increased customer orders (EUR +2.7 million). The negative cash flows from investing activities of EUR -2.9 million (prior year: EUR -4.2 million) include capital expenditure on tangible fixed assets and cash flows from the sale of a property in Hof. Negative cash flows from financing activities in the amount of EUR -0.3 (prior year: -0.5 million) include interest in particular, primarily from the *Schuldscheindarlehen* (or bonded loan). The combined effect of cash inflows and outflows from operating activities, investing activities and financing activities during the period under review resulted in cash and cash equivalents of EUR 25.7 million (31 December 2020: EUR 26.6 million). After deducting bank loans, the Group's net debt was EUR 10.6 million (31 December 2020: EUR 9.7 million).

Net assets

During the reporting period, EUR 4.4 million was invested in tangible fixed assets and intangible assets (prior year: EUR 4.3 million). These investments compare to depreciation and amortisation and write-downs of EUR 6.0 million (prior year: EUR 5.8 million). On balance, fixed assets dipped slightly compared to 31 December 2020 (EUR 100.5 million) to EUR 99.1 million, while inventories as well as accounts receivable and other assets increased overall from EUR 48.2 million to EUR 55.7 million. Cash equivalents declined slightly compared to the end of 2020 from EUR 26.6 million to EUR 25.7 million. The planned cash repayment of the *Schuldscheindarlehen* took place in December 2020 as scheduled in the amount of EUR 5.0 million. Consolidated net income of EUR 2.5 million during the reporting period was the primary driver behind the increase in equity from EUR 107.6 million (31 December 2020) to EUR 111.4 million. The equity ratio on 30 June 2021 remained unchanged at

61.0% compared to a rise in the balance sheet total as of 31 December 2020. Provisions of EUR 17.3 million only saw a minor drop by EUR 0.3 million compared to the balance sheet date of 31 December 2020. Liabilities increased by EUR 2.2 million to EUR 53.1 million in total (31 December 2020: EUR 50.9), whereby liabilities to banks of EUR 36.3 million remain unchanged. Trade payables and liabilities on bills accepted and drawn amounting to EUR 6.1 million decreased by EUR 0.5 million. Other liabilities of EUR 10.7 million rose by EUR 2.7 million compared to 2020 year-end. Overall, the balance sheet total rose by around 3% to EUR 182.5 million (31 December 2020: EUR 176.7 million).

Employees

The number of employees as of 30 June 2021 is 1,046. Compared to the number of people employed the same period the previous year (1,055), the number of staff remained relatively constant.

Risks and opportunities

The Hoftex Group is faced with risks and opportunities that can have either a negative or positive impact on our net assets, financial position and results of operations as well as the Group's market position. For detailed information on the Hoftex Group's risk management activities, please consult the 2020 Annual Report, pages 23 through 26.

The effects of the coronavirus pandemic are leading to higher levels of operational risk in the area of sales, both in terms of customer demand and order handling. COVID-19-related disruptions in global supply chains and the energy policy debate sparked by climate change are resulting in the risk of rising procurement prices, which can have an impact on EBITDA. Overall, despite these circumstances, as of today there are no identifiable risks that could jeopardise the future of the Hoftex Group. The risk situation is constantly under analysis and appropriate measures are taken as needed.

Outlook

The coronavirus pandemic still has a firm hold on the global economy. Nevertheless, the outlook is more positive than a year ago. Developed countries are already benefiting from their successful vaccination campaigns and the vaccine is becoming increasingly available to emerging markets. Following the second surge of the coronavirus, which lasted until spring and slowed economic growth, the economy picked up considerably during the second quarter. Further normalisation and economic recovery are expected in industrialised countries during the second half of 2021. Experts still predict worldwide economic growth to be at 6% for 2021 overall. Forecasts indicate additional growth (+4.9%) in 2022 and believe that the economy will return to pre-COVID levels during the 2023 fiscal year.

The Eurozone economy is expected to underperform slightly compared to the global average with a growth forecast of 4.6% in 2021. However, Spain and France are expected to grow by approximately 6%. In contrast, experts foresee lower growth rates in Germany in 2021 (3.6%). The 2022 GDP growth forecast for the Eurozone is 4.3%.

(Source: World Economic Outlook Update June 2021)

The Hoftex Group was also able to grow further during the first half year and achieve a positive final result. As forecast, demand continues to grow as the coronavirus crisis comes under control. The economic climate has also seen improvement in the apparel industry over the past several weeks. That notwithstanding, there are still concerns regarding a sustainable recovery over the next few months, particularly in the NEUTEX and HOFTEX divisions. Private consumption is of crucial importance, especially for the apparel sector. Another lockdown would have a tremendously

negative impact on this sector. Consequently, growing vaccination rates and protection against additional mutations will be a decisive factor in continuing growth.

Moreover, business is currently tapering off due to global supply bottlenecks and associated price hikes. Economic recovery may thus suffer a setback – at least in the short term. The German government’s carbon neutrality targets are an additional driver behind rising procurement prices. The TENOWO division is also indirectly affected by the continuing semi-conductor shortage in the automotive industry. According to experts, the supply situation will remain tense during the second half of the year, which will also impact global vehicle production.

The Hoftex Group companies are also suffering due to this year’s extreme weather conditions. Two German locations were flooded during severe storms in mid-July. While the dyeing location in Selbitz did not incur any major damage, the TENOWO location in Hof suffered severely and parts of the production facilities were flooded. It will take some time to resume full operation of all of the plants and systems and return the building to its original condition. Right now, it is impossible to conclusively determine the full extent of the flooding. The Hoftex Group has comprehensive insurance against these types of natural disasters and their effects. Therefore, no severe financial consequences are expected based on the information that is currently available.

Forecasts are always fraught with tremendous uncertainty. Based on prior sales and earnings trends and the challenging conditions we know we will face in the coming months, we see a downward trend in the second half of the year, both in terms of sales and EBITDA. For the year as whole, we expect to be able to achieve the sales and EBITDA targets set in the annual report, even if they tend towards the lower end of the spectrum.

Hof, August 2021

Klaus Steger
Chief Executive Officer

Manuela Spörl
Chief Financial Officer

HOFTEX GROUP AG

Consolidated balance sheet as of 30 June 2021

Assets in EUR thousand		30/06/2021	31/12/2020
A. Non-current assets			
I.	Intangible fixed assets	1,464	1,855
II.	Tangible assets	97,573	98,601
III.	Long-term financial assets	17	17
		99,054	100,473
B. Current assets			
I.	Inventories	34,544	29,372
II.	Accounts receivable and other assets	21,188	18,873
III.	Cash and cash equivalents	25,709	26,614
		81,441	74,859
C. Accrued and deferred items		866	284
D. Deferred tax assets		1,126	1,126
Balance sheet total		182,487	176,742
Equity and liabilities in EUR thousand		30/06/2021	31/12/2020
A. Equity			
I.	Subscribed capital	13,920	13,920
II.	Capital reserves	41,158	41,158
III.	Revenue reserves	55,254	55,254
IV.	Change in equity from currency translation	-2,881	-4,170
V.	Net retained profits	3,947	1,455
		111,398	107,617
B. Provisions		17,297	17,581
C. Liabilities		53,108	50,860
D. Deferred tax liabilities		684	684
Balance sheet total		182,487	176,742

HOFTEX GROUP AG

Consolidated income statement from 1 Jan to 30 June 2021

in EUR thousand	1.1. to 30/6/2021	1.1. to 30/6/2020
Sales	75,310	65,853
Change in inventories	2,054	-1,626
Gross revenue	77,364	64,227
Other operating income	1,896	821
Cost of materials	-35,651	-29,878
Gross profit	43,609	35,170
Personnel expenses	-22,888	-20,444
Depreciation, amortisation and write-downs	-6,014	-5,833
Other operating expenses	-11,264	-11,334
Operating result	3,443	-2,441
Net interest income	-324	-566
Taxes on income	-168	-89
Earnings after tax	2,951	-3,096
Other taxes	-459	-362
Consolidated net income for the period	2,492	-3,458

HOFTEX GROUP

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