

Group interim
report

as of 30 June

2022

HOFTEX GROUP
TEXTILE TECHNOLOGIES

HOFTEX GROUP AG

At a glance

Key Group Figures		1/1/2022 to 30/6/2022	1/1/2021 to 30/6/2022
External sales	EUR million	75.9	75.3
Gross revenue	EUR million	74.5	77.4
Cash flows from operating activities	EUR million	-0.7	2.2
Employees		1,020	1,042
Consolidated net income for the period	EUR million	-1.9	2.5
EBITDA	EUR million	4.3	9.0
Balance sheet total 30 June (prior year 31 Dec)	EUR million	171.1	168.3
Equity 30 June (prior year 31 Dec)	EUR million	114.0	113.5
Equity ratio 30 June (prior year 31 Dec)	%	66.6	67.4

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 main activities are the development, production and sale of nonwovens for technical applications in the automotive industry, 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.

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 Färberei GmbH
Tenowo Hof GmbH	Neutex Betriebs GmbH	Hoftex Färberei Betriebs GmbH
Tenowo Reichenbach GmbH	SC Textor S.A.	
Tenowo Mittweida GmbH		
Tenowo Inc.		
Tenowo Huzhou New Materials Co. Ltd.		
Tenowo Italia 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 company Hoftex Immobilien I GmbH manages and performs 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 principle shareholder ERWO Holding AG currently holds 4,616,223 shares. This corresponds to 84.8% 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	676000

Consolidated earnings in 2021 of EUR 3.7 million were positively influenced by the sale of non-essential real estate. Due to the decline in performance and the uncertain situation, on 8 July 2022 the Management Board and Supervisory Board proposed a lower dividend payment of EUR 0.13 per no-par value share (prior year: EUR 0.15), which corresponds to a total dividend payment of EUR 707,824.00. This proposal was adopted by a majority vote at the Annual General Meeting.

Share performance		1 Jan to 30 June 2022	1 Jan to 30 June 2021
Net earnings per share	EUR	-0.35	0.45
Equity per share 30 June (prior year 31 Dec)	EUR	20.94	20.85
Opening share price	EUR	12.90	9.85
Year high	EUR	12.90	13.20
Year low	EUR	11.10	9.80
Closing share price	EUR	11.30	12.50
Market capitalisation	EUR million	61,526	68,060

GROUP PERFORMANCE IN H1 2022

Economic environment

In the first half of the year, global economies experienced a renewed economic slump. Experts lowered their forecasts for economic growth from 6.1% in 2021 to 3.1% in 2022.

(Source: World Economic Outlook Update June 2022)

In the Eurozone, economic conditions have deteriorated despite the easing of COVID-19 measures. Currently, below-average growth of 2.6% is expected for 2022. Only the Spanish economy is expected to see above-average growth of 4.0%. The Eurozone's other major economies are forecasting weaker growth; Italy is expected to grow by 3.0% and France by 2.3%. Germany is last in the Eurozone with an expected growth rate of 1.2%.

The economy faces new risks in 2022. The environment has deteriorated, especially as a result of Russia's war of aggression against Ukraine. This further exacerbated already existing supply bottlenecks. Rising commodity and energy prices led to higher inflation – central banks around the world have responded with tighter monetary policy. This tightening is slowing economic growth. Europe's energy supply is no longer secure due to its dependence on Russian gas. This fuels fears of recession throughout Europe. However, the lifting of COVID-19 measures has had a positive impact on the economy except for in China, where the economy is still strained by the zero-COVID policy.

Sector trends

Sales in the German textile and apparel industry continued to rise in 2022, up 7.4% in the period from January to April in the textile sector and an even stronger 25.5% in the apparel sector. The textile industry has returned to its pre-COVID level of 2019, but sales in the apparel industry are still well below the pre-COVID level. The still stable economic climate at the beginning of the year was significantly dampened in June by the uncertain energy supply situation. The order situation remains good in the various areas and has resulted in an order backlog that could not yet be addressed due to supply chain problems. The general price increases are also apparent in producer prices. Prices in the textile segment were up 10.3% year-on-year in April and 3.0% higher in the apparel segment.

(Source: textil+mode konjunktur June 2022)

Division trends

TENOWO, our largest division, generated sales of EUR 64.9 million in the first half of the year (prior year: EUR 64.0 million), which was nearly on par with the previous year's level and higher than expected for the first six months. Looking at volumes, there is a year-on-year decline in the volumes produced and sold. After a strong first half of 2021, one in which TENOWO benefited from catch-up effects from the recovery of Coronavirus years 2019 and 2020, TENOWO's automotive business was strongly affected by the semiconductor crisis in the second half of 2021, which led to declining sales in this segment. This trend was to continue in the first half of 2022. In particular, the apparel and consumer goods segments developed positively in the first half of 2022 with better-than-expected and higher year-on-year results in terms of both revenue and sales. All other segments were within expectations.

Despite lower sales volumes, prior year revenue levels were met thanks to the higher sales prices achieved in response to months of rapidly rising material costs. In addition to the lack of logistics and raw materials, supply chain issues triggered by the COVID-19 pandemic are now also leading to a price spiral on the procurement market that has not yet ended. The outbreak of the Ukraine war is

causing an unprecedented energy crisis in Germany and Europe and also fuelling higher producer prices. The resulting increases in material, transport and operating costs could only be passed on to customers with a delay due to extended delivery deadlines.

Development by region shows that the German and European market is currently the most impacted by the economic and political situation. A lack of orders in the automotive segment combined with at times unavailable raw materials and high COVID-related staff shortages resulted in all German sites being underutilised in the first half-year, which weighed on earnings. At the Hof location, machinery that had still not been fully restored after the flood damage also negatively affected the organisation. In both Asia and the US, supply chain problems did not have the same dramatic impact. After the TENOWO location in Lincoln/USA had also seen order declines at the end of 2021, demand in the automotive segment began to rise again in spring so that the American location was well utilised throughout the first half of the year. In China, however, the government's strict zero-COVID strategy complicated trade and also affected TENOWO Huzhou's business. Nevertheless, our Chinese location exceeded prior year sales and met the sales targets.

The NEUTEX division's sales during the first half year of 2021 were EUR 6.1 million (prior year: EUR 6.6 million). NEUTEX has been unable to reach its sales targets thus far because the expected surge in demand did not materialise. The increase in online business during the COVID years 2020 and 2021 did not continue in the current year, while brick-and-mortar retail for home decor products remained stagnant. NEUTEX responded accordingly to the order situation by adjusting production capacities with periods of short-time work.

The HOFTEX division's sales and earnings situation is stable. Sales rose year-on-year from EUR 3.8 million to EUR 4.3 million in the current year, with the first half of 2021 still marked by far-reaching lockdowns that particularly weighed on one of HOFTEX's key markets: the apparel sector. However, the increase in transport, material and operating costs had a negative impact on the 2022 half-year result.

Real estate company business went according to plan during the first half year. Sales were close to the previous year's levels. The earnings situation improved as planned compared to the prior year after the conclusion of various investments in modernisation.

Net assets, financial position and results of operations

Results of operations

Despite the difficult business environment, The Hoftex Group achieved consolidated sales of EUR 75.9 million in the first six months. Sales are thus above the prior year's level (prior year: EUR 75.3 million). The development of sales in the different divisions varied as follows:

Sales by division in EUR million	1 Jan to 30 June	1 Jan to 30 June
	2022	2021
Tenowo	64.9	64.0
Neutex	6.1	6.6
Hoftex	4.3	3.8
Other	3.4	3.4

Although sales were nearly constant year over year, at EUR 38.9 million, gross profit was considerably lower than the prior year (EUR 43.6 million). This corresponds to a 10.8% decline, which also means a lower gross profit margin of 52.2% (-4.2%). This was due to the significantly higher cost of materials ratio of 53.0% (prior year: 46.1%). The increase is due to higher material costs from EUR 35.7 million during last year's reporting period to EUR 39.5 million at present. Other operating income came in at EUR 3.9 million (prior year: EUR 1.9 million), with earnings in the first half of 2022 positively affected by insurance compensation. Personnel expenses based on gross revenue increased from 29.6% during the same period of the previous year to 30.1% during the reporting period. Depreciation, amortisation and write-downs of EUR 5.6 million were EUR 0.4 million lower than the same period last year. Other operating expenses of EUR 11.7 million were EUR 0.4 million higher than in the previous year. In terms of gross revenue, these were 15.7% (prior year: 14.6%). In total EBIT is EUR 1.3 million (prior year: EUR 3.0 million). Taking into account the interest result of EUR -0.5 million (prior year: EUR -0.3 million), income tax of EUR -0.1 million (prior year: EUR -0.2 million) and other taxes of EUR -0.5 million (prior year: EUR -0.5 million), consolidated earnings for the reporting period amount to EUR -1.9 million (prior year: EUR 2.5 million). This corresponds to earnings per share of EUR -0.35 (prior year: EUR 0.45).

Financial position

in EUR thousand	1 Jan to 30 June	1 Jan to 30 June
	2022	2021
Cash flows from operating activities	-716	2,150
Cash flows from investing activities	-1,731	-2,945
Cash flows from financing activities	-301	-300
Balance	-2,748	-1,095

The consolidated net loss of EUR -1.9 million (prior year: EUR 2.5 million) as well as increased customer receivables and higher inventories significantly impacted cash flows from operating activities of EUR -0.7 million (prior year: EUR 2.2 million). The negative cash flows from investing activities of EUR -1.7 million (prior year: EUR -2.9 million) are principally due to capital expenditure on tangible fixed assets. Negative cash flows from financing activities of EUR -0.3 million (prior year: EUR -0.3 million) include in particular the scheduled repayment of the EUR 10.0 million loan drawn in

December 2021 from the syndicated loan agreement concluded on 16 December 2021 with a total volume of EUR 51.0 million and the associated interest. 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 10.7 million (31 December 2021: EUR 13.0 million).

Net assets

During the reporting period, EUR 2.0 million was invested in tangible fixed assets and intangible assets (prior year: EUR 4.4 million). Depreciation, amortisation and write-downs stood in contrast to this in the first half of 2022 and totalled EUR 5.6 million (prior year: EUR 6.0 million). Overall, fixed assets declined by EUR 2.3 million in the first six months. Current assets grew by a total of EUR 68.3 million (31 December 2021) to EUR 72.8 million on 30 June 2022 due to a rise in inventories (EUR +0.8 million) and an increase in receivables and other assets (EUR +6.1 million). Cash equivalents declined compared to the end of 2021 from EUR 13.0 million to EUR 10.7 million. Despite the negative consolidated earnings, exchange rate effects not affecting net income led to an increase in Group equity of EUR 0.5 million vis-à-vis 31 December 2021. The equity ratio on 30 June 2022 compared to a rise in the balance sheet total as at 31 December 2021 is 66.6% (prior year: 67.4%).

Provisions declined by EUR 0.3 million to EUR 16.3 million. Liabilities increased by EUR 2.7 million to EUR 40.1 million in total (31 December 2021: EUR 37.4 million), whereby liabilities to banks of EUR 23.1 million remain nearly unchanged (31 December 2021: EUR 22.9 million). Trade payables and liabilities on bills accepted and drawn amounting to EUR 7.1 million increased by EUR 0.9 million. Other liabilities of EUR 9.0 million rose by EUR 1.6 million compared to 2021 year-end. Overall, the balance sheet total rose by 1.7% to EUR 171.1 million (31 December 2021: EUR 168.3 million).

Employees

The number of employees as of 30 June 2022 is 1,008. Compared to the number of people employed the same period the previous year (1,046), the number of staff fell slightly due to natural fluctuation.

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 2021 Annual Report, pages 24 through 27.

The Coronavirus pandemic continues to have an impact on the global economy in 2022. Especially in China, where the government has responded to COVID outbreaks with far-reaching and long-lasting lockdowns, which continues to negatively affect global supply chains. Compared to the reporting year 2021, Russia's war of aggression against Ukraine exposes additional geopolitical risks that can directly or indirectly impact business. These include energy costs and availability of energy, both of which can have a negative effect on sales and earnings. Currently, the impact of the war is unpredictable and has the potential to significantly affect the economy and financial markets. Both our company and our market environment could be adversely affected with regard to business activities, in particular due to production interruptions at the German locations as a result of further restrictions on gas supply from Russia. Our company-wide energy teams are working on ways to optimise production while using less gas and focusing on the diversification of our energy sources to meet these challenges.

Overall, we see an increase in the risk situation due to the Russian war compared to our statement in the 2021 Annual Report. The risk situation is constantly under analysis and appropriate measures are taken as needed.

Outlook

The global economy has deteriorated significantly. Against the backdrop of the Russian war of aggression and the zero-COVID policy in China, supply chains continue to be strained and cost pressure is rising. Inflation rates are increasing worldwide and central banks are raising key interest rates in response. Growth expectations are lower as a result – and a decline in economic growth is possible.

In the face of these difficult market conditions, the business environment for the Hoftex Group will be very challenging in the coming months. Uncertainties still include global supply chain issues and rising purchase prices for materials and energy. On the demand side, we have a stable order situation and capacity utilisation for the coming months. The decisive factor for the further course of business is how the Russian war will impact world economic development. The potential for energy supply shortages in Europe remains one of the greatest uncertainties.

Due to the declining consolidated earnings as of 30 June 2022 and the current developments, the Management Board of HOFTEX GROUP AG issued an ad-hoc announcement on 21 July 2022 stating that it was no longer able to achieve the expected EBITDA in the original forecast.

In view of the current geopolitical crisis and the resulting impacts, we expect business to cool down as unfavourable cost developments continue. We now expect sales of between EUR 135 million and EUR 150 million and EBITDA of between EUR 10 million and EUR 13 million for the fiscal year 2022. Given the current situation, this forecast is characterised by great uncertainty.

Hof, August 2022

Klaus Steger
Chief Executive Officer

Manuela Spörl
Chief Financial Officer

HOFTEX GROUP AG

Consolidated balance sheet as of 30 June 2022

Assets in EUR thousand	30 June 2022	31 Dec 2021
A. Non-current assets		
I. Intangible fixed assets	678	1,062
II. Tangible assets	95,197	97,152
III. Financial assets	17	17
	95,892	98,231
B. Current assets		
I. Inventories	35,991	35,231
II. Accounts receivable and other assets	26,153	20,144
III. Cash and cash equivalents	10,689	12,955
	72,833	68,330
C. Accrued and deferred items	1,307	668
D. Deferred tax assets	1,043	1,043
Balance sheet total	171,075	168,272
Equity and liabilities in EUR thousand	30 June 2022	31 Dec 2021
A. Equity		
I. Subscribed capital	13,920	13,920
II. Capital reserves	41,158	41,158
III. Revenue reserves	56,754	56,754
IV. Change in equity from currency translation	1,250	-1,150
V. Consolidated net retained profits	941	2,862
	114,023	113,544
B. Provisions	16,269	16,605
C. Liabilities	40,099	37,439
D. Deferred tax liabilities	684	684
Balance sheet total	171,075	168,272

HOFTEX GROUP AG

Consolidated income statement from 1 Jan to 30 June 2022

in EUR thousand	1.1. to 30 June 2022	1.1. to 30 June 2021
Sales	75,853	75,310
Change in inventories	-1,314	2,054
Gross revenue	74,539	77,364
Other operating income	3,886	1,896
Cost of materials	-39,517	-35,651
Gross profit	38,908	43,609
Personnel expenses	-22,421	-22,888
Depreciation, amortisation and write-downs	-5,601	-6,014
Other operating expenses	-11,735	-11,264
Operating result	-849	3,443
Net interest	-532	-324
Taxes on income	-89	-168
Earnings after taxes	-1,470	2,951
Other taxes	-451	-459
Consolidated net income for the period	-1,921	2,492

HOFTEX GROUP

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