

# HOFTEX GROUP

TEXTILE TECHNOLOGIES

## Group Interim Report

H1 2017

**HOFTEX**  
YARNS AND FABRICS



**NEUTEX**  
HOME DECORATION



**TENOWO**  
NONWOVENS



Half-yearly financial statements of Hoftex Group AG  
for the period from January 1 to June 30, 2017

## H1 2017 HIGHLIGHTS

Group figures	HJ 1 / 2017	HJ 1 / 2016	Change	
<i>in EUR thousand</i>				
Sales	96.314	94.759	1.555	1,6%
EBITDA <sup>1)</sup>	9.045	10.951	-1.906	-17,4%
EBIT <sup>1)</sup>	3.814	4.787	-973	-20,3%
Cash flows from operating activity	7.675	8.881	-1.206	-13,6%
Consolidated result current period	3.021	4.493	-1.472	-32,8%
Result per share (in EUR)	0,55	0,83	-0,28	-33,7%
Total assets	192.018	188.253	3.765	2,0%
Equity ratio <sup>2)</sup> (in %)	50,2%	50,0%	0,2%	0,4%
Number of employees at the reporting date	1.178	1.148	30	2,6%
<sup>1)</sup> Excluding non-operating and prior-period income, excluding share price gains, excluding income from asset disposals, etc.				
<sup>2)</sup> The equity ratio calculates economic equity as a percentage of total assets.				

## ABOUT HOFTEX GROUP AG

With its headquarters in Hof, Germany and subsidiaries in Germany, the US, the Czech Republic, Romania and China, as well as a joint venture in India, the Hoftex Group AG is an SME operating in the textile industry. The core elements of its portfolio are the development, production and sale of various yarns, textiles, nonwoven and decorative fabrics. These products can be used in a variety of applications, ranging from essential household items to clothing and textiles developed especially for industrial use.

The Hoftex Group's activities are divided into three production divisions. Each of these divisions has a management company that performs all of its sales and administrative functions:

HOFTEX division	TENOWO division	NEUTEX division
Hoftex GmbH	Neutex Home Deco GmbH	Tenowo GmbH
Hoftex Core Tech GmbH	Neutex Betriebs GmbH	Tenowo Hof GmbH
Hoftex Max Süß GmbH	SC Textor S.A.	Tenowo Reichenbach GmbH
Hoftex Färberei GmbH		Tenowo Mittweida GmbH
Hoftex Färberei Betriebs GmbH		Tenowo Inc.
Hoftex Liberec s.r.o. <sup>li</sup>		Tenowo Huzhou New Materials Co. Ltd
		Supreme Nonwoven Industries Pvt. Ltd
<sup>li</sup> operations discontinued		

In addition, the Hoftex Group has a general division, which operates as the holding company and performs all administrative duties relating to the Group's real estate portfolio (Hoftex Immobilien I GmbH and Hoftex Immobilien II GmbH & Co. KG).

## 1. The Hoftex Group Share

Overall, most global stock exchanges performed well in the first six months of 2017. Not only did the Dow Jones rise from roughly 20,000 points at the start of the year to roughly 21,400 points at the end of June, the trend was also positive on the DAX. The DAX closed the second quarter at just under 12,500 points, up from 11,600 at the start of the year. There were, however, some major corrections during the month of June and increasing political uncertainties and tensions are not making the climate any easier.

Oil prices were unable to profit from the positive trends. While the barrel price amounted to \$51 at the beginning of H1, that figure fell to roughly \$47 by the end of June. Interest rates remain at historically low levels.

Overview of the Hoftex Group share	
Share type	No-par value shares, each with a proportional share of EUR 2.56 (rounded) in the share capital
Listing	Munich Stock Exchange
Subscribed capital	€ 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 (German Securities Identification Number)	676000

The Hoftex Group shares are traded on the m:access market segment of the Munich Stock Exchange. Since the move to the Open Market on June 29, 2009, the Group is no longer classified as a “publicly listed” company as defined in the German Securities Trading Act (*Wertpapierhandelsgesetz*, or WpHG) and shareholders are therefore no longer obliged to comply with WpHG requirements to disclose when they exceed or fall below certain reporting thresholds. Our principal shareholder, ERWO Holding AG currently owns 4,588,175 shares, or 84.26% of the total shares.

The following chart shows the performance of the Hoftex Group share from December 1, 2015 to August 15, 2017.



Source: [www.finanzen.net](http://www.finanzen.net)

Over the past six months, the shares of Hoftex Group AG rose from €12.31 on January 2, 2017 to €16.20 on June 30, 2017, hitting a low of €12.31 and a high of €16.97 during this period.

As roughly 84% of the Group's shares is held by our principal shareholder ERWO Holding AG, just 16% of shares can be in free float at any time. Trading volume therefore tends to be low in these shares, as evidenced in the bottom section of the chart. The low trading volume is one reason for the strong fluctuations and/or deviations in share price. While it is difficult, if not virtually impossible, to explain these fluctuations and/or deviations, we believe that our operating result, our funding strategy based on *Schuldscheindarlehen* (bonded loans, or SSD) and our consistent dividend policies likely had a positive impact on the share price.

Key figures for the Hoftex Group share	HJ 1 / 2017	HJ 1 / 2016	Change	
Net result (EUR/share)	0,55	0,83	-0,27	-32,8%
Equity <sup>(1)</sup> (EUR/share)	17,72	17,30	0,41	2,4%
Opening share price Jan. 2 (EUR/share)	12,31	10,13	2,18	21,5%
High (EUR/share)	16,97	10,90	6,07	55,7%
Low (EUR/share)	12,31	9,50	2,81	29,6%
Closing share price Jun. 30 (EUR/share)	16,20	10,50	5,70	54,3%
Market capitalization as of Jun. 30 (EUR thousand)	88.206	57.170	31.035	54,3%

<sup>(1)</sup> based on consolidated equity

## 2. Group performance and key business events in H1 2017

### Macroeconomic trends

Despite numerous risks, the global economy saw continued growth over the course of H1 2017. According to International Monetary Fund (IMF) figures, many emerging and developing economies, chiefly China and Brazil, as well as some major industrialized countries, such as Canada, France and Germany, outperformed growth projections for Q1 2017. Most indicators for Q2 show that upwards trend continuing, with two notable exceptions: the US – due to uncertainty surrounding the direction of the new administration and the Federal Reserve – and the UK – due to uncertainty surrounding the impact of Brexit.

Private asset management firm FERI expects the global economic recovery to gain breadth and depth in 2017, with the US leading the way. This favorable economic climate looks set to continue through 2018, when FERI predicts it could come to an end. Factors that cause sluggish macroeconomic growth – high levels of debt, low productivity growth and demographic trends – remain unchanged, a compelling reason to believe our current economic upswing may be temporary. In the medium to long term, the global economy still faces considerable risks of a downturn.

Despite ongoing uncertainty about the concrete policies of Trump's economic agenda, today's robust economy in the US is likely to see an additional growth surge this year thanks to the prospects of tax cuts and infrastructure investments. Rising interest rates could, however, cause the US economy to slow down from 2019.

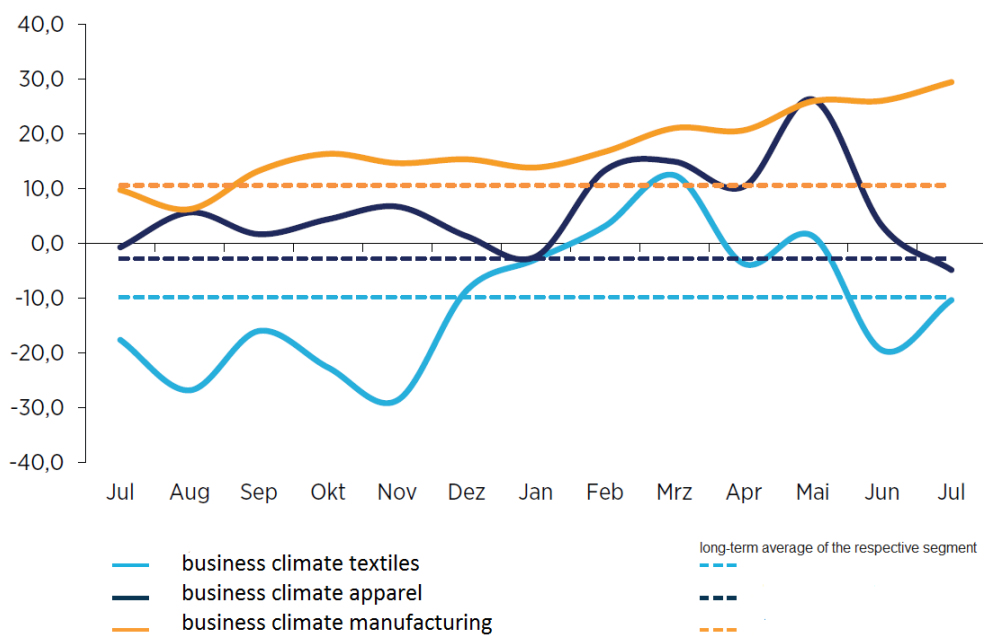
Even though a moderate recovery is ongoing in most emerging economies, structural obstacles to growth as well as political risks show no signs of abating. Any additional appreciation in the value of the dollar could trigger volatility. China has managed to stabilize its economy thanks to expansionary fiscal and monetary policies. The downside of these policies is an increase in trade imbalances. Although FERI doesn't expect its economy to reach a crisis point in the short term, China does pose a serious threat for the global economy in the long term.

Growth rates in the Eurozone economy remains moderate, but the 2017 and 2018 fiscal years are likely to outperform recent trends. If, however, we see any slack in key growth drivers – like favorable financing terms and strong global demand – the economy could downturn as early as 2019. Uneven growth and unresolved structural problems across the Eurozone continue to jeopardize the long-term viability of the monetary union.

Economic trends in Germany remain optimistic. After the influx of refugees began to ebb in 2017, we saw a correction of certain one-off effects that had stimulated growth in 2016. Overall, growth rates will likely be somewhat more moderate than 2016.

### Sector trends

The Ifo business climate index for the economy as a whole hit a record high once again in July, although the same cannot be said for the German textile and fashion industry, where the business climate indicators have completely diverged from the overall economy. While the manufacturing industry reports business climate figures significantly above the long-term average, both the textile and apparel sectors are only hovering around the average of the past few years (dotted lines on the chart below), despite the continued economic upswing. And although we did see a considerable downturn over the last few months, the figure fell from a relatively high level. According to the Confederation of the German Textile and Fashion Industry, there is still reason to believe that this is just a temporary slump and that the business climate will realign with the positive economic projections on the overall domestic market in the months to come.



In its economic report from July of this year, the Confederation of the German Textile and Fashion Industry reports that most key indicators have recovered after severe setbacks in April and May, although the textile and apparel industry is currently unable to keep up with the very positive trends in German industry as a whole. Despite an uptick in sales for the month of May, the increase has fallen short of projections to date.

#### Performance of the Hoftex Group

The Hoftex Group is keeping to its existing strategy, organizational structure and the business activities associated with them, with **Tenowo** out front as the most important division. Following the reorganization of the spinning business, consolidated sales and results for the Hoftex Group are on the rise once again – a trend driven entirely by organic growth. As expected, our refinancing strategy based on a *Schuldscheindarlehen* has led to a drop in H1 interest expenses and significantly strengthened our cash position.

In the first half of 2017, sales for the Hoftex Group increased year-on-year by EUR 1.6 million to EUR 96.3 million, with capacity expansion as a key driver for growth.

Earnings before interest and taxes (EBIT) for the first 6 months of the current year amounted to EUR 3.8 million (prior year: EUR 4.8 million). The decrease in EBIT is due mainly to an increase in the cost of materials and personnel expenses, which were not reflected in higher prices.

**Hoftex** generated sales of EUR 14.9 million in H1 2017, underperforming the prior-period results (EUR 15.5 million). We have seen little change in the market environment, which remains problematic. Thanks to increased efficiency – above all in material usage and staffing – the operating result rose from EUR 23 thousand to EUR 36 thousand.

**Neutex** was unfortunately unable to maintain the positive trends we reported in 2016. The entire market for household textiles is facing sustained pressure. Sales significantly underperformed projections, although even the Confederation was unable to provide clear reasons for the slump – despite the construction boom. Sales fell from EUR 10.5 million to EUR 8.7 million. Underutilization of capacity, and our inability to cover overheads as a result, had a negative impact on the operating result in H1 2017, which fell EUR 1.3 million short of the prior-period figure (EUR 0.5 million).

The **Tenowo** division was also plagued by a decrease in operating result, down EUR 5.0 million to EUR 3.7 million. Sales, by contrast, rose from EUR 69.6 to EUR 71.4. In its special report on the textile industry (Report No. 24,

November 2016), VR Bank had warned of increasing competitive pressure in the nonwovens industry. Tenowo is feeling that pressure at the moment, particularly in view of extremely price-conscious consumers and uncertainty following recent developments in the automotive industry. Tenowo, like many of our customers, is increasingly focused on cost-cutting. After a few years of intense investment, the division has now turned its attention to improving efficiency at all production sites.

Rising prices on the raw materials market led to a significant increase in the **cost of materials**. While the cost of materials ratio was 49.4% in June 2016, that figure stands at 51.8% just one year later. Several of our suppliers have raised their prices and we can expect prices to continue to rise. With volatile markets and specialized orders with short lead times, optimizing our raw materials procurement process is no easy feat.

Much like the cost of materials, **personnel expenses** are also on the rise. This is due not only to negotiated pay increases and minimum wage requirements, but also to recruitment needs from sales growth and succession planning. Personnel expenses rose as a result from EUR 22.6 million to EUR 23.8 million.

**Other operating expenses** fell year-on-year from EUR 15.4 million to EUR 13.6 million, thanks mainly to cost-cutting measures introduced in 2016 (for administrative, operating and selling costs). We expect continued reduction in our cost base throughout H2 2017.

The level of investment has been high over the past few years, as has **depreciation and amortization** within the Hoftex Group. Total investments dropped considerably in 2016, resulting in significantly lower depreciation and amortization expenses relative to the prior-year period (EUR 5.2 million vs. EUR 6.2 million).

### 3. Financial position of the Hoftex Group

#### Cash flows from operating activities

Despite sales growth, cash flows from operating activities decreased from EUR 8.9 million to EUR 7.7million. Lower consolidated earnings for this period (EUR 3.0 million in H1 2017 vs. EUR 4.5 million in H1 2016) was a key factor, along with negative effects from depreciation and amortization (down EUR 0.9 million year-on-year) as well as a decrease in both provisions (down EUR 0.8 million year-on-year) and income tax payments (down EUR 0.6 million year-on-year). By contrast, working capital had a positive effect relative to the prior-year period (up EUR 2.9 million).

#### Cash flows from investing activities

Cash flows from investing activities fell year-on-year from EUR 5.9 million to EUR 4.6 million. At EUR 0.4 million, investments in intangible fixed assets remained at prior-year period levels and are attributable to the new ERP system. In the first half of 2017, we focused our investments in tangible fixed assets on the **Tenowo** division.

#### Cash flows from financing activities

At EUR 1.9 million in June 2017, cash flows from financing activities are markedly lower than the prior-year figures (EUR 3.6 million). Repayments for legacy financing amounted to EUR 3.4 million in H1 2016. In 2017, we made our first payment of EUR 1.0 million to China-based Zhangjiagang Yangtse Spinning Co. (ZYS). ZYS has provided a total of EUR 9.8 million in funding for Tenowo Huzhou, with interest charged at the prevailing market rates. This year's interest payments at EUR 1.0 million were lower than those of the prior-year period (EUR 1.2 million).

## 4. Net asset position of the Hoftex Group

There were no major changes to the balance sheet structure from June 30, 2016 to June 30, 2017. The balance sheet total increased from EUR 188.3 million EUR 192.0 million.

**Fixed assets** rose slightly from EUR 103.6 million to EUR 104.1 million. The intangible fixed assets rose an additional EUR 1.0 million to EUR 1.9 million due to the roll-out of the new ERP system. The lower volume of tangible assets led to a year-on-year decrease in this item from EUR 95.4 million to EUR 94.6 million. Long-term financial assets exceeded last year's figure (EUR 7.3 million), up by EUR 0.3 million year on year due to adjustments to the December 31, 2016 at-equity valuation of our stake in the India-based joint venture.

The increase in **current assets** from EUR 82.4 million to EUR 86.3 million is mainly attributable to the increase in cash and cash equivalents from EUR 11.3 million to EUR 21.6 million. Refinancing with a *Schuldscheindarlehen* played a major role in strengthening our cash position. By contrast, both inventories (from EUR 41.3 million to EUR 39.3 million) and receivables/other assets (from EUR 29.7 million to EUR 25.4 million) are significantly lower than those of the prior-year period.

Despite reduced earnings, **equity** rose from EUR 94.2 million in June 2016 to EUR 96.5 million. At 50.2%, the equity ratio was slightly higher at the end of H1 2017 than in the previous year (50.0%).

Thanks to the *Schuldscheindarlehen*, the Group repaid in full our **shareholder loan** amounting to EUR 14.0 million. There are no plans at present to draw any new shareholder loans.

At EUR 22.1 million in June 2017, **provisions** were on par with the prior-year figures (EUR 22.2 million), but lower than the same figure reported on December 31, 2016 (EUR 23.7 million). As of this reporting period, the Group has no risks and/or legal disputes that would require us to set aside new provisions.

Due to the new *Schuldscheindarlehen*, **liabilities** increased from EUR 57.4 million to EUR 73.5 million. All remaining liabilities from legacy financing, roughly EUR 28.3 million, were refinanced by means of a *Schuldscheindarlehen* for EUR 50.0 million. The liabilities also include a loan from ZYS (EUR 8.3 million) and trade payables (EUR 7.5 million).

## 5. Personnel

The number of people employed by the Group rose from 1,148 on June 30, 2016 to 1,178 on June 30, 2017. All new hires were recruited for the **Tenowo** division.

Conditions on the employment market remain problematic. It is difficult to find specialist staff with the necessary training. The need for new staff stems not only from demographic concerns, but also from organic growth within the Group. The Hoftex Group has therefore refocused its efforts on staff development as a means to secure the Group's future.

## 6. Report on events after the reporting date

No events that significantly impact the Group's net assets, financial position and results of operations occurred between the end of the reporting period and the date of publication of this interim report.



## 7. Risk report

The Hoftex Group's risk exposure has not changed significantly since the end of fiscal 2016. The Group does not expect any significant effects from the Brexit vote. By the same token, political tensions in Turkey are not expected to impact business over the short term. It is difficult to predict at present how developments in the automotive industry will impact our nonwovens business. There are no indications that the current pressure on prices will diminish.

Please see our 2016 Annual Report for an in-depth presentation of the risk management policies within the Hoftex Group.

## 8. Forecasts and outlook

### Macroeconomic trends

In line with projections from the IMF's spring World Economic Outlook (WEO) report, the July WEO expects global economic growth to slightly outperform the previous year's figures and reach 3.5%. GDP in industrialized countries is expected to rise by a total of 2.0%, while projections for many Eurozone countries as well as Canada and Japan are expected to exceed the April growth forecasts. The IMF moderately downgraded its growth forecasts for the US and the UK. Developing and emerging economies are expected to grow by 4.6% overall according to the IMF, with no change in the growth forecasts for India and China and continued recovery for Brazil and Russia.

The IMF report highlights a wide range of risks that could jeopardize the economic upswing. Along with uncertainty about the outcome of Brexit negotiations and the difficult-to-predict developments in US regulatory and fiscal policy, these risks include possible turmoil on financial markets, growing geopolitical tensions and increasing protectionism.

### Sector trends

According to an industry association survey, 2017 will see neutral to positive business performance. Roughly 45% of survey participants expect sales to grow, while around 45% see their sales staying flat. The industry association "textil+mode" is forecasting a 1.7% increase in sales for 2017. According to reports from the German Federal Office of Statistics, sales are expected to rise in the textiles sector and fall in the apparel sector.

The strongest market segment is by far nonwovens, followed by technical textiles for applications in medical devices, the automotive industry, aerospace and structural engineering – and German enterprises are global leaders in all of these segments. What's more, smart textiles that integrate technology and electronics into textiles are opening up entirely new markets over the long term. Textil+mode cites energy costs as the biggest obstacle in terms of global competition, prompting the association to call for new financing models for renewable energies.

### Performance of the Hoftex Group

In our Annual Report for fiscal 2016, we published our forecasts for 2017 and outlined the objectives designed to achieve them: projected sales of roughly EUR 195 million and consolidated net income for the year between EUR 8.0 million and EUR 9.0 million.

In our forecast, we reported that rising raw material and personnel expenses are putting increasing pressure on earnings. We have seen this situation play out in H1 2017 in addition to (political) uncertainties in the global economy and growing competition. As these trends look set to continue in the second half of the year, we feel obliged to revise down our 2017 forecasts. Our revised forecasts put 2017 sales between EUR 185 million and EUR 190 million, with consolidated net income for the year ranging from EUR 5.5 million to EUR 6.5 million. Cash flows from operating activities may also be lower as a result: between EUR 16.0 million and EUR 18.0 million instead of our original forecast of between EUR 23.0 million and EUR 25.0 million.

We stand by our forecasts for **Hoftex** division sales at just under EUR 28.0 million. Our original forecasts expected the operating result to just about break even, but we would like to revise that figure up. The three remaining specialty operations are well positioned and likely to hold their own on their respective niche markets.

Business performance for the **Neutex** division in H1 2017 was extremely difficult. Consumer reticence, particularly on the domestic market, and stagnation in our export business are adversely impacting performance in 2017. Order intake for products from the “sun protection” range is developing very well, while sales are down for items from our ready-made and decorative lines. In all likelihood, we will not generate the projected sales of roughly EUR 21 million this year, with sales of even EUR 17 million posing a serious challenge. Current forecasts put the operating result in the red at negative EUR 1 million. We are in the process of introducing cost-cutting countermeasures.

For the **Tenowo** division, we believe we can meet our projected sales goal of between EUR 140 million and EUR 145 million. At the moment, however, it is difficult to predict how the automotive industry will perform and how its performance will impact our clients. According to current information, the operating result will fall short of the original forecast by about EUR 1.5 million.

Conclusion: Our business performance in the first half of 2017 was impacted by a difficult market environment and many uncertainties. We felt obliged, therefore, to revise down our original projections. It is very important to us to meet the goals set out in our new projections.

Hof, August 21, 2017

Hoftex Group AG

Klaus Steger  
(Chairman of the Management Board)

Jacques van den Burg  
(Member of the Management Board)

**HOFTEX GROUP AG****Consolidated balance sheet as of June 30, 2017 (HGB)**

<b>Assets in EUR thousand</b>	<b>Jun. 30, 2017</b>	<b>Jun. 30, 2016</b>
<b>A. Fixed assets</b>	<b>104.071</b>	<b>103.616</b>
I. Intangible fixed assets	1.942	968
II. Tangible fixed assets	94.568	95.380
III. Long-term financial assets	7.561	7.268
<b>B. Current assets</b>	<b>86.291</b>	<b>82.401</b>
I. Inventories	39.307	41.334
II. Receivables and other assets	25.355	29.739
III. Cash and cash equivalents	21.629	11.328
<b>C. Prepaid expenses</b>	<b>449</b>	<b>915</b>
<b>D. Deferred tax assets</b>	<b>1.207</b>	<b>1.321</b>
<b>Total assets</b>	<b>192.018</b>	<b>188.253</b>
<b>Equity and liabilities in EUR thousand</b>	<b>Jun. 30, 2017</b>	<b>Jun. 30, 2016</b>
<b>A. Equity</b>	<b>96.471</b>	<b>94.217</b>
I. Subscribed capital	13.920	13.920
II. Capital reserves	41.158	41.158
III. Revenue reserves	42.254	38.754
IV. Change in equity from currency translation	-2.097	1.054
IV. Net accumulated profits (prior year: net accumulated)	1.236	-669
<b>B. Deferred investment grants and subsidies</b>	<b>0</b>	<b>498</b>
<b>C. Shareholder loan</b>	<b>0</b>	<b>14.000</b>
<b>D. Provisions</b>	<b>22.080</b>	<b>22.155</b>
<b>E. Liabilities</b>	<b>73.455</b>	<b>57.371</b>
<b>F. Deferred tax liabilities</b>	<b>12</b>	<b>12</b>
<b>Total equity and liabilities</b>	<b>192.018</b>	<b>188.253</b>

**HOFTEX GROUP AG****Consolidated income statement from Jan. 1, 2017 to June 30, 2017 (HGB)**

<b>in EUR thousand</b>	<b>Jan. 1 to Jun. 30, 2017</b>	<b>Jan. 1 to Jun. 30, 2016</b>
Sales	96.314	94.759
Change in inventory of finished goods and work in progress	-150	2.413
Other own work capitalized	0	0
<b>Gross revenue</b>	<b>96.164</b>	<b>97.172</b>
Other operating income	1.058	1.485
Cost of materials	-49.832	-47.991
<b>Gross profit</b>	<b>47.390</b>	<b>50.666</b>
Personnel expenses	-23.844	-22.640
Depreciation, amortization and write-downs	-5.231	-6.164
Other operating expenses	-13.630	-15.449
<b>Operating result</b>	<b>4.685</b>	<b>6.413</b>
Net investment income	0	154
Net interest income	-1.055	-1.527
Taxes on income	-207	78
<b>Earnings after taxes</b>	<b>3.423</b>	<b>5.118</b>
Other taxes	-402	-625
<b>Consolidated net income for the period</b>	<b>3.021</b>	<b>4.493</b>

**HOFTEX GROUP AG****Consolidated statement of changes in equity as of June 30, 2017 (HGB)**

	Subscribed Capital	Capital reserves	Revenue reserves	Change in equity from currency translation	Consolidated net accumulated profits/losses	Total
<b>in EUR thousand</b>						
<b>Balance as of Jan. 1, 2016</b>	<b>13.920</b>	<b>41.158</b>	<b>38.754</b>	<b>796</b>	<b>-5.162</b>	<b>89.466</b>
Foreign currency translation differences				258		258
Group result					4.493	4.493
<b>Balance as of Jun. 30, 2016</b>	<b>13.920</b>	<b>41.158</b>	<b>38.754</b>	<b>1.054</b>	<b>-669</b>	<b>94.217</b>
<b>Balance as of Jan. 1, 2017</b>	<b>13.920</b>	<b>41.158</b>	<b>42.254</b>	<b>849</b>	<b>-1.785</b>	<b>96.396</b>
Foreign currency translation differences				-2.946		-2.946
Group result					3.021	3.021
<b>Balance as of Jun. 30, 2017</b>	<b>13.920</b>	<b>41.158</b>	<b>42.254</b>	<b>-2.097</b>	<b>1.236</b>	<b>96.471</b>

**HOFTEX GROUP AG****Consolidated cash flow statement as of June 30, 2017 (HGB)**

<b>HOFTEX GROUP AG Consolidated cash flow statement for H1 2017</b>	<b>HJ 1 / 2017</b>	<b>HJ 1 / 2016</b>
<b>in EUR thousand</b>		
Consolidated net income for the period	3.021	4.493
+/- Depreciation, amortisation and write-downs of fixed assets	5.231	6.164
+/- Increase/decrease in provisions incl. pension provisions	-1.317	-486
+/- Other non-cash income and expenses	-1.262	-849
-/+ Decrease in deferred government grants		-237
-/+ Increase/decrease in inventories and trade receivables	-2.168	-7.813
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities		
	3.633	6.405
-/+ Gain/loss on disposal of fixed assets	-242	-117
+/- Interest expense/interest income	1.055	1.246
+/- Income tax expense/income	207	-78
+/- Income taxes paid	-483	153
<b>Cash flows from operating activities</b>	<b>7.675</b>	<b>8.881</b>
- Payments for aquisition of intangible fixed assets	-411	-378
+ Proceeds from disposal of tangible fixed assets	291	217
- Payments for aquisition of tangible fixed assets	-4.451	-5.755
<b>Cash flows from investing activities</b>	<b>-4.571</b>	<b>-5.916</b>
+ Cash proceeds from bank borrowings	189	646
- Cash repayments of bank borrowings		-3.408
+ Cash proceeds from short-term borrowing from associates		419
- Cash repayments from short-term borrowing from associates	-1.000	
+ Proceeds from grants/subsidies received	10	20
- Interest paid	-1.055	-1.246
<b>Cash flows from financing activities</b>	<b>-1.856</b>	<b>-3.569</b>
<b>Net change in cash funds</b>	<b>1.248</b>	<b>-604</b>
Change in cash and cash equivalents due to exchange rate movements and remeasurements	-74	-48
Cash and cash equivalents on Jan. 1	20.456	11.980
<b>Cash and cash equivalents on Jun. 30</b>	<b>21.630</b>	<b>11.328</b>

**Hoftex Group AG**  
Fabrikzeile 21  
D-95028 Hof/Saale  
Germany  
Tel. +49(0)92 81 / 49-0  
Fax +49(0)92 81 / 49-216  
IR@hoftexgroup.com  
[www.hoftexgroup.com](http://www.hoftexgroup.com)

