



GROUP INTERIM REPORT

as of June 30, 2018

HOFTEX GROUP
TEXTILE TECHNOLOGIES

HOFTEX GROUP AG

At a glance

Key Group Figures		Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
Sales	EUR millions	92.9	96.3
Gross revenue	EUR millions	92.9	96.2
Cash flows from operating activity	EUR millions	10.0	7.7
Employees		1,136	1,178
Consolidated net income for the period	EUR millions	3.9	3.0
EBITDA	EUR millions	10.4	9.5
Total assets	EUR millions	197.5	192.0
Equity	EUR millions	102.7	96.5
Equity ratio	%	52.0	50.2

ABOUT THE HOFTEX GROUP

The Hoftex Group is one of Europe's largest textile companies with history spanning more than 160 years in the international textile industry.

With its headquarters in Hof, Germany and subsidiaries in Germany, the US, Romania, China and Mexico, as well as a joint venture in India, the Hoftex Group AG (ISIN: DE0006760002; WKN: 676000) is the financial holding company of the Hoftex Group, an SME operating in the textile industry. The Group's core activities are the development, production and sale of nonwoven fabrics for technical applications and the apparel industry as well as various yarns, decorative fabrics and technical textiles.

The Hoftex Group's activities are divided into three production divisions and one general division. 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.

Hoftex Division	Tenowo Division	Neutex Division
Hoftex GmbH	Tenowo GmbH	Neutex Home Deco GmbH
Hoftex CoreTech 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.	
	Tenowo de Mexico S.de R.L. de C.V.	
	Supreme Nonwoven Industries Pvt. Ltd.	

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

In its role as a financial holding company, Hoftex Group AG is primarily focused on handling the key administrative tasks for its subsidiaries as well as coordinating and managing the Group's activities. 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 HOFTEX GROUP SHARE

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 4,607,862 shares, or 84.6% 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 (German Securities Identification Number)	676000

The Hoftex Group has continually raised its dividend over the previous fiscal years, which amounted to EUR 0.22 for the 2017 fiscal year. The dividend payment of EUR 1,197,856.00 proposed by the Management Board and the Supervisory Board on July 6, 2018 was adopted by a majority vote at the Annual General Meeting.

Share		Jan. 1 to June 30, 2018	Jan. 1 to June 30, 2017
Net result per share	EUR	0.71	0.55
Equity per share	EUR	18.86	17.72
Opening share price	EUR	13.10	12.31
High	EUR	15.30	16.97
Low	EUR	12.90	12.31
Closing share price	EUR	14.00	16.20
Market capitalization	EUR million	76,227	88,206

The Hoftex Group AG share price was EUR 14.00 on August 23, 2018.

GROUP PERFORMANCE IN H1 2018

Sector trends

During the period under review from January to May 2018, total sector sales decreased by -1.1% over the previous period. According to the latest figures from the sector report published by the Confederation of the German Textile and Fashion Industry, the textile segment was able to maintain its position with a growth rate of +0.5%, while the nonwovens segment and technical textile producers saw their sales fall over the first 5 months of 2018 (nonwovens: -4.4%; technical textiles: -2.3%). Order intake provided a more positive outlook, increasing by +2.7% between January and May. The apparel segment reported a decline in both sales and order intake, down -3.6% and -3.9% respectively. It should be noted that the apparel figures were impacted by a one-off effect relating to structural adjustments to the statistical model early in the year.

Division trends

Specializing in the development and manufacturing of technical textiles and nonwovens, our largest division **Tenowo** played a dominant role in Group results with sales amounting to EUR 70.6 million (prior period: EUR 71.4 million). Although this represents a -1.1% drop over the previous year's results, Tenowo performed well compared to the industry average (-4.4%). Tenowo reported a positive trend in automotive sales, its strongest sales market. Results for the production sites in Germany and China generated sales and revenues in line with targets during H1 2018. Sales from the US production site, by contrast, underperformed both targets and prior-year results. The slump in demand that started in H2 2017 continued into the current fiscal year. We are seeing positive trends in the industrial segment, with the increased efforts and investments in R&D, sales, production and technology from previous years resulting in sales growth year after year in a range of industrial applications. Performance in the traditional interlinings segment, which comprises all apparel applications, remains stable in line with targets and prior-period performance. With demand staying strong, German and Chinese production facilities operated largely at capacity during the first six months of the year and thereby had a positive impact on costs.

The **Hoftex** division generated EUR 12.9 million in sales with its R&D and production of yarns and twines in H1 2018. This represents a -13.4% decline over prior-period sales of EUR 14.9 million following the divestment of subsidiary Hoftex Max Süß GmbH on January 1, 2018 and the corresponding loss of revenue. In a market that remains problematic with strong competition from Asia and Turkey, Hoftex has shown stable performance to date, with satisfactory order intake and largely constant capacity utilization in both the spinning/doubling mills and the dyeworks.

The **Neutex** division produces and supplies decorative fabrics, interior sun protection solutions and technical textiles. After rather subdued demand during the first quarter of 2018, the trend changed in Q2 2018 and brought a slight increase in second-quarter sales, particularly in the SUN, TEC and READY segments. Sector performance remains weak, resulting in another dip in sales as compared with the first half of the previous year and finishing the period at EUR 8.4 million (prior period: EUR 8.7 million). We are now seeing the positive effects of the cost-cutting measures introduced in 2017.

The holding and real estate divisions reported a 10.2% increase in output during the first half of the year, due primarily to the rental situation at various properties. Thanks to the extensive refurbishment and renovation efforts of the past few years, earnings have largely stayed stable despite the increase in material costs and depreciation.

Net assets, financial position and results of operations

The Hoftex Group generated consolidated sales of EUR 92.9 million in H1 2018, down -3.5% over the prior period. It was primarily the cost-cutting measures initiated in the previous year and the stable capacity utilization at various production sites that led to an improvement in the cost base, enabling the Group to generate consolidated net income of EUR 3.9 million for H1 2018 (prior period: EUR 3.0 million). One key factor was the decline in the cost of materials to EUR 46.4 million (prior period: EUR 49.8 million), which corresponds to a -1.9% decrease in the cost of materials ratio to 49.9%. At EUR 23.3 million, personnel expenses were down as well. The increase in the labor to sales ratio from 24.8% in H1 2017 to 25.1% in H1 2018 came mainly as a result of general pay raises in all divisions and new recruitment in the growing Tenowo division. The asset depreciation ratio increased by 5.4% to 5.9%, with EUR 5.5 million in depreciation, amortization and write-downs (prior period: EUR 5.2 million). Net operating income (other operating expenses less other operating income) decreased in absolute terms and amounted to 13.3% of sales (prior period: 13.1%), due mainly, however, to the decline in gross revenue.

The EBITDA of the Hoftex Group rose over the prior-year period by 9.4% and amounted to EUR 10.4 million for the first six months of fiscal 2018.

Total assets as of June 30, 2018 rose by 2.9% to EUR 197.5 million as compared to June 30, 2017 (prior period: EUR 192.0 million), primarily as a result of the increase in receivables due from ERWO Holding AG for a short-term loan of EUR 14.0 million. In the meantime, a total of EUR 4.5 million in repayments has been made, reducing the outstanding loan amount to EUR 9.5 million. Consolidated equity rose from EUR 96.5 million as of June 30, 2017 to EUR 102.7 million as of June 30, 2018. The equity ratio stands at 52.0% for the period under review, up 2 percentage points from H1 2017.

In EUR thousand	Jan. 1 to Jun. 30, 2018	Jan. 1 to Jun. 30, 2017
Cash flows from operating activities	10,017	7,675
Cash flows from investing activities	-8,240	-4,571
Cash flows from financing activities	-2,426	-1,856
Balance	-649	1,248

With consolidated net income for the period at EUR 3.9 million, cash flows from operating activities amounted to EUR 10.0 million (prior period: EUR 7.7 million). The EUR -8.2 million in negative cash flows from investing activities (prior period: EUR -4.6 million) relate mainly to payments for acquisitions of tangible fixed assets and for a short-term loan to ERWO Holding AG, while the EUR -2.4 million (prior period: EUR -1.9 million) in negative cash flows from financing activities include mainly repayments of a loan to a related party in China und interest from the *Schuldscheindarlehen* (bonded loan, or SSD). The combined effect of cash inflows and outflows from operating activities, investing activities and financing activities during the period under review resulted in a decrease in cash funds to EUR 12.9 million as of June 30, 2018 (prior period: EUR 21,6 million).

Personnel

A total of 1,136 people were employed by the Group as of June 30, 2018 (prior period: 1,178). We saw a reduction in headcount relative to the prior period due to the loss of staff employed at the

recently sold subsidiary Hoftex Max Süß GmbH and due to downsizing in the Neutex division. By contrast, new staff was recruited for the growing Tenowo division.

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.

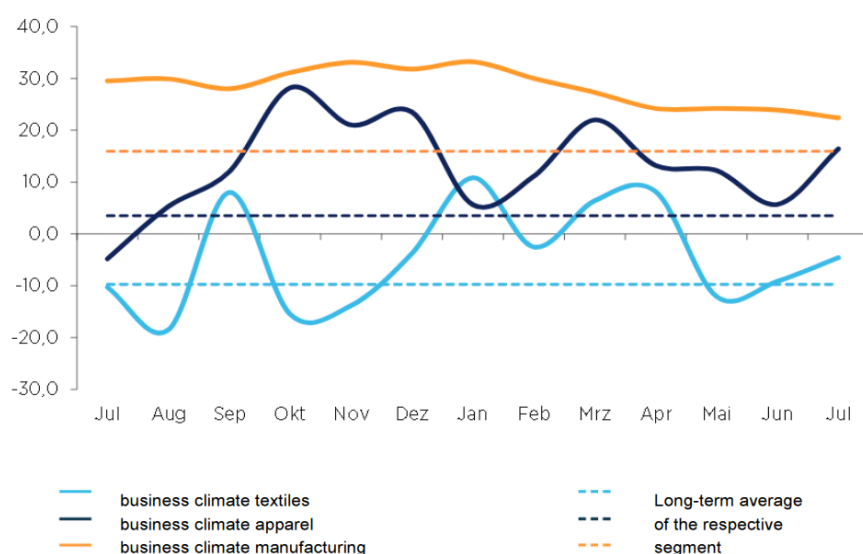
Outlook, risks and opportunities

The Hoftex Group is faced with risks and opportunities that can have both a negative or a positive impact on our net assets, financial position or 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 2017 Annual Report, starting on page 21.

Continuing geopolitical tensions arising from the protectionist stance of various nations and the threat of global trade conflicts have increased uncertainty across the globe. However, we expect global economic growth to continue unabated.

In consideration of the risk management system we have in place and the information available to us at present, we have not identified any risks that could jeopardize the future of the Group as a going concern.

In its economic report from July of this year, the Confederation of the German Textile and Fashion Industry provided the following assessment of the ifo economic climate index for January to July 2018:



Source: textil + mode konjunktur July 2018

The overall climate in the textile and apparel industry is rather subdued. Although experts expect the economy to cool down somewhat in Germany, the indicators for textiles and apparel are currently holding up well, making us cautiously optimistic about future business trends.

Thanks to the stable performance in the first half year, our divisions are also heading into the second half of the year with a positive outlook. The strong order intake at the Tenowo division promises to deliver sales within the target range over the next few months in Europe and in Asia. At our production site in Lincolnton, North Carolina (USA), we expect sales to outperform the first half of the year, though they will not enable us to achieve our targets for 2018 as a whole. After a weak start

in Q1 2018, the Neutex division is reporting a slight upwards trend, offsetting lost sales in the traditional market segments during the previous years through sales growth in new export markets and sales of new products in the SUN and TEC ranges. The division will not, however, be able to compensate fully for the massive sales losses in the first few months of 2018; sales are expected to underperform both targets and prior-period results. That said, earnings are expected to improve over the previous period thanks to recently introduced cost-cutting measures. The Hoftex division is reporting numerous changes to the product range and a trend towards smaller production runs, placing tough demands on our purchasing, production and technical staff to provide the necessary flexibility at an optimum cost. Given the current market environment, Hoftex is heading into the second half of the year with a bit of uncertainty. There is still reason to hope, however, that we will achieve sales and earnings in line with prior-year levels and our projections.

Based on current sales and earnings trends and the outlook for future business for the Tenowo, Neutex and Hoftex divisions in the second half of 2018, we expect our financial targets for 2018 sales, net income and EBITDA to remain within reach.

Hof, August 2018

Klaus Steger
CEO and Chairman of the Management Board

Robert Seibold
CFO and Member of the Management Board

HOFTEX GROUP AG

Consolidated balance sheet as of June 30, 2018

Assets in EUR thousand		Jun. 30, 2018	Jun. 30, 2017
A. Fixed assets			
I.	Intangible fixed assets	2,287	1,942
II.	Tangible fixed assets	91,203	94,568
III.	Long-term financial assets	7,756	7,561
		101,246	104,071
B. Current assets			
I.	Inventories	39,975	39,307
II.	Receivables and other assets	41,288	25,355
III.	Cash and cash equivalents	12,931	21,629
		94,194	86,291
C. Prepaid expenses		863	449
D. Deferred tax assets		1,195	1,207
Total assets		197,498	192,018
Equity and liabilities in EUR thousand		Jun. 30, 2018	Jun. 30, 2017
A. Equity			
I.	Subscribed capital	13,920	13,920
II.	Capital reserves	41,158	41,158
III.	Revenue reserves	46,754	42,254
IV.	Currency translation differences	-2,468	-2,097
V.	Net retained profits	3,334	1,236
		102,698	96,471
B. Provisions		22,849	22,080
C. Liabilities		71,939	73,455
D. Deferred tax liabilities		12	12
Total equity and liabilities		197,498	192,018

HOFTEX GROUP AG

Consolidated income statement From January 1 to June 30, 2018

In EUR thousand	Jan. 1 to Jun. 30, 2018	Jan. 1 to Jun. 30, 2017
Sales	92.907	96.314
Change in inventories	-5	-150
Gross revenue	92.902	96.164
Other operating income	821	1.058
Cost of materials	-46.404	-49.832
Gross profit	47.319	47.390
Personnel expenses	-23.325	-23.844
Depreciation, amortization and write-downs	-5.457	-5.231
Other operating expenses	-13.259	-13.630
Operating result	5.278	4.685
Net interest loss	-926	-1.055
Taxes on income	-94	-207
Earnings after taxes	4.258	3.423
Other taxes	-386	-402
Consolidated net income for the period	3.872	3.021

HOFTEX GROUP

TEXTILE TECHNOLOGIES

Issued by:

HOFTEX GROUP AG
Fabrikzeile 21
95028 Hof
Germany

Tel. +49 (0) 9281-49-0
Fax +49 (0) 9281-49-216

ir@hoftexgroup.com
www.hoftexgroup.com