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Fenghua SoleTech AG: Interim management statement, pursuant to § 37x of the German Securities Trading Act (WpHG) during the second half of 2014

Frankfurt am Main, November 19, 2014

Business and operating environment

The economic growth in China amounted to 7.3% in the third quarter of 2014, and therefore proved to be a slight slowdown in comparison to the growth of 7.4% in the first half of the year. China continues to implement economic reforms to sustain a steady growth rate. The domestic consumption policies of China's Government drove an increase of 12.0% in retail consumption in the third quarter of 2014.

The footwear market in China is expanding due to the sizeable population and increasing consumer affluence. China has become the world's largest country for the manufacturing, consumption and export of footwear products.

Sales development

During the first nine months of 2014 the revenue of Fenghua increased by 14.2% to 70,638 thousand Euros (9M 2013: 61,862 thousand Euros).

The group's segments revenue developed in the first nine months of 2014 as follows: The sales of EVA MD1 shoe soles increased by 9.3% to 23,434 thousand Euros (9M 2013: 21,436 thousand Euros). Revenues for EVA MD2 shoe soles grew by 10.9% to 43,316 thousand Euros (9M 2013: 39,067 thousand Euros). The sales of RB shoe soles amounted to 3,888 thousand Euros (9M 2013: 1,359 thousand Euros).

Results of operations

Gross profit of the first nine months of 2014 increased by 19.5% to 20,724 thousand (9M 2013: 17,347 thousand Euros). The gross profit margin grew by 1.3 percentage points to 29.3% (9M 2013: 28.0%).

EBIT grew by 15.6% to 19,853 thousand Euros in the first nine months of 2014 (9M 2013: 17,169 thousand Euros). This equates to an EBIT margin of 28.1% – 0.3 percentage points above previous year's value.



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The net profit recorded an increase of 15.8% to 14,945 thousand Euros after the first three quarters of 2014 (9M 2013: 12,910 thousand Euros). The net profit margin grew by 0.3 percentage points to 21.2% (9M 2013: 20.9%).

Net assets and financial position

As of September 30, 2014 the balance sheet total of Fenghua amounted to 68,863 thousand Euros (December 31, 2013: 47,657 thousand Euros).

The non-current assets amounted to 7,254 thousand Euros, the current assets amounted to 61,609 thousand euros. Inventories accounted for 2.4%, trade receivables for 23.4% and cash and bank balances for 74.2% of the total current assets.

The group equity grew from 40,153 thousand Euros as of 31 December 2013 to 59,240 thousand Euros as of 30 September 2014. This represents an equity ratio of 86.0% (December 31, 2013: 84.3%)

As of the reporting day, there is no financing from a local bank to provide long-term investment for the company.

Current liabilities increased from 7,504 thousand Euros as of 31 December 2013 to 9,623 thousand Euros as of 30 September 2014. Trade and other payables contribute the main portion with 77.4%.

Risks and opportunities

Concerning the risks and opportunities for the future development of Fenghua SoleTech AG, reference is made to the statements in the securities prospectus.

Outlook 2014

Fenghua aims to be present on both domestic and export sports footwear markets. In the past, Chinese consumers rarely distinguished between types of sport shoes. This is now changing fast as Chinese consumers start to acquire specific sport shoes with features tailored to the sports they are practicing. As a result, the Management Board of Fenghua believes that the current sports shoe market, suffering from high inventories, should recover soon, with a higher emphasis on performance-oriented and function-specific sport shoes.

The company intends to expand its business in China by enlarging and renovating existing production facilities to meet strong demand, secondly by acquiring new machines and equipment to double the production capacities and thirdly by enhancing product development capabilities. In the middle term future, Fenghua aims

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to be more innovative in function specific sport shoe soles and benefit from bigger production capacities and economies of scale in order to become the leading sport shoe sole manufacturer in China.

Based on the current planning and assumptions, Fenghua Management Board expects for the full year results 2014, to generate revenues in a range of 95 to 100 million Euros. EBIT margin is expected to come in between 28%-29%.

Significant events

In the context of the public offering in Germany and Poland Fenghua has placed a total of 55,641 no par value bearer shares. The company hence received gross proceeds of around 0.6 million Euro from the IPO. On November 6, 2014 Fenghua SoleTech AG was listed in the General Standard of the Frankfurt Stock Exchange and the Parallel Market of the Warsaw Stock Exchange. The offering consisted of a public offering in Germany and Poland and private placements to institutional investors outside Germany, Poland and the United States. On its first day of trading the shares started trading at a price of 10.40 Euro at Frankfurt Stock Exchange corresponding to a market capitalization of 105 million Euros.

About Fenghua

Fenghua was founded in 2004 and is a modern, technology-driven Chinese manufacturer of shoe soles. Fenghua produces more than 40 million pairs of shoe soles per year. Disposing of a dynamic research and development team, Fenghua is able to offer an own range of products. The soles manufactured by Fenghua are designed for performance sports shoes as well as for leisure and casual sports-inspired shoes targeting mid to high end shoe producers in China and international brands. As of September 30, 2014, Fenghua employed 1,823 employees.

Disclaimer

This communication contains forward-looking statements. Forward-looking statements are statements that are not historical facts instead they reflect Fenghua's current views and expectations and the assumptions underlying them about future events. Forward-looking statements are subject to many risks and uncertainties. If any of such risks and uncertainties materialise or if the assumptions underlying any of Fenghua's forward-looking statements are proving to be incorrect, Fenghua's actual results may be materially different from those expressed or implied by such forward-looking statements. Fenghua does not intend or assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.