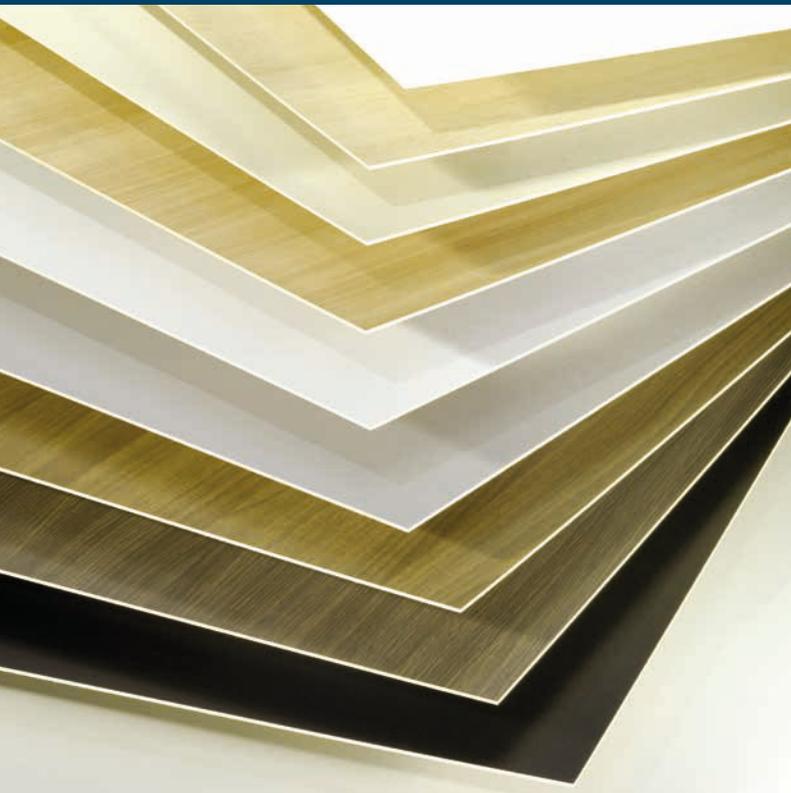




HOMANN  
HOLZWERKSTOFFE

# Interim Group Report First Half 2015 for Homann Holzwerkstoffe GmbH



# Interim Group Report for Homann Holzwerkstoffe GmbH

for the period from January 1, 2015 to June 30, 2015

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## FOREWORD

Dear Reader,

The start of production at our new MDF/HDF raw board plant in Krosno, Poland, in late March marked the beginning of an important period for our company. We now operate the world's most modern facility for the production of thin boards and can produce five times the output of the shut-down hard fibreboard plant with the same number of employees. This technological quantum leap is expected to have a sustainable impact on the profitability of our Group. With the first panel coming off the assembly line on March 26, 2015, we successfully ramped up the production capacities and have worked in three shifts since April. A new painting line for surface finishing was taken into operation at the same time as the raw board plant. As a result, the Krosno facility, just like all other locations of the Group, can produce the complete range of products, from raw panels to surface finishing to customised furniture parts.

Our Group owes its satisfactory performance not least to its strategic focus on the production and distribution of thin, high-quality fibreboards (HDF/MDF). Adjusted sales revenues (excluding sales revenues of HomaTrade GmbH, which was sold in the previous year) increased by EUR 1 million to EUR 101 million in the first half of 2015. Operating EBITDA before positive one-time effects was up by 4.5% on the prior year period to EUR 8.1 million.

Several optimisation measures helped to reduce our leverage and strengthen our equity basis as planned. As a result, our equity ratio climbed to 14.6% excluding exchange rate effects and the silent partnership. This means that we returned to profitability after two loss-making years. We maintain our full-year 2015 guidance of sales revenues of EUR 200 million and EBITDA before positive one-time effects of EUR 23 million.

Rather than contenting ourselves with what we have achieved, we will continue to implement our strategy unwaveringly. Our products are well positioned in the market and will increasingly benefit from the persistent trend towards lightweight furniture. We intend to make the most of this potential as we move forward.

I would like to seize this opportunity to thank our employees, whose great commitment continues to underpin our company's successful performance. I also thank our customers, investors and partners for the confidence placed in HOMANN HOLZWERKSTOFFE and me personally.

Yours sincerely,



Fritz Homann  
Managing Director of Homann Holzwerkstoffe GmbH



## INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2015

### A. Business activity and framework conditions

#### 1. Corporate structure and business model

HOMANN HOLZWERKSTOFFE GmbH is a leading European supplier of thin finished wooden fibreboard for the furniture, doors, coatings and automobile industries. The company indirectly holds all shares in the three operating companies, HOMANIT GmbH & Co. KG, Losheim/Germany, HOMANIT Polska Sp.z o.o., Karlino/Poland and Homanit Krosno Odranskie Sp.z o.o., Krosno/Poland. As a specialist for the production and distribution of medium-density (MDF) and high-density fibreboard (HDF), the Group targets its product portfolio at a wide range of customers, who primarily include companies from the furniture, doors and coatings industries. Special product solutions are increasingly giving the company access to additional applications, e.g. in the area of packaging solutions and automotive interiors. This strategic approach has resulted in growing diversification, which, to a certain extent, reduces the company's exposure to cyclical developments in individual sectors.

The Homanit Group remains the Western European market leader for thin finished panels with a thickness of up to 3.0 mm. The Group's three production facilities in Germany and Poland manufacture high-quality products in innovative processes at competitive prices. The business model is based on the successful strategy of covering all steps of the value chain internally – from the provision of raw materials such as wood, glue and power to ongoing new and further development in the context of the research and development activities, multi-stage panel production, finishing and customisation of the products to distribution. This approach guarantees not only high product quality but also the flexible adaptation to individual customer requirements and changing market conditions.

Compared to the prior year period, the basis of consolidation changed due to the sale of HomaTrade GmbH with effect from December 31, 2014, which means that the figures for the prior year are not fully comparable. For a detailed overview of the basis of consolidation, please refer to note 2.

#### 2. Framework conditions

##### The macroeconomy

The eurozone economy (ER18) continued to improve in the reporting period. Against the background of the existing structural problems in individual economic regions, geopolitical crises and uncertainty about the future of Greece, the 0.4% quarter-on-quarter increase in the gross domestic product (GDP) gives impressive proof of the strength of the European economy. The positive development was driven primarily by domestic demand, essentially private consumption as a result of private households' improved income prospects. A look at the individual countries shows that national economies performed disparately. In spite of the expansionary monetary policy pursued by the European Central Bank (ECB), the structural problems in the eurozone remain unsolved. GDP also picked up in the second quarter of 2015 and is expected to grow by another 0.4% by leading economic researchers. This trend is likely to continue in the third and fourth quarter of 2015, for which slightly higher growth rates of 0.5% each are projected.

According to the Federal Statistical Office (Destatis), the German economy continued to grow, albeit at a somewhat slower pace. Real first-quarter GDP was up by 0.3% on the previous quarter in price, seasonally and working day-adjusted terms. Here, too, growth was essentially driven by domestic demand, with consumer spending rising by 0.6% and government spending by 0.7%. Capital spending also showed a positive trend, with both spending on plant and equipment (+1.5%) and construction spending (+1.7%) growing strongly. Economic output is expected to accelerate further, with GDP growth rates of 0.6% and 1.9% projected for the second quarter and for the full year 2015, respectively.

*(Sources: Ifo Institute – Recovery Spreading, July 7, 2015; Federal Statistical Office – Detailed gross domestic product results for the 1st quarter of 2015, May 22, 2015; Ifo Institute – Ifo Economic Forecast, June 17, 2015)*

### **Developments in the wood and furniture industries**

The environment in the markets that are relevant for the Group did not change materially in the reporting period. Generally a distinction can be made between two segments of different competitive intensity. The market for unfinished MD and HD fibreboard panels between 6 and 30 mm is characterised by high competitive and price pressure. Some manufacturers of thick boards are still looking for additional customers, which could lead to further price adjustments. By contrast, competition in the market for very thin and finished panels up to 3 in thickness, on which the HOMANN HOLZWERKSTOFFE Group focuses, is healthy. According to general estimates, the situation in this market is relatively balanced in spite of additional capacities, which means that moderate

selling price increases of 2% to 3% appear possible in the medium term. Due the continued trend towards lightweight construction in the furniture industry, additional and sustainable growth opportunities arise in this attractive market with regard to sales volumes.

According to the “Verband der Deutschen Holzwerkstoffindustrie e.V.” (association of the German wooden materials industry), the start to the year 2015 remained slightly below the strong prior year level in terms of total wooden materials sales. Having grown by roughly 8% in the calendar year 2014, sales revenues were down by 0.5% on the previous year in the first two months of 2015. The wooden materials industry continues to be driven primarily by the furniture industry and the construction sector. Germany’s “Verband der Deutschen Möbelindustrie” (VDM - association of the German furniture industry) projects a moderate increase of approx. 1.5% to about EUR 16.6 million for the full year 2015. Sales revenues in the German construction sector fell short of expectations in the first five months of 2015. According to the “Hauptverband der Deutschen Bauindustrie” (umbrella confederation of the German construction industry), the 2.9% decline in sales revenues is exclusively attributable to statistical effects and does not affect the expectation of a growth rate of 2.0% for the full year 2015.

*(Sources: EUWID Holz und Holzwerkstoffe – Besser ausgelastete MDF/HDF-Hersteller wollen Preise zumindest leicht nach oben korrigieren, 30.2015; VDM Verband der Deutschen Möbelindustrie – Deutsche Möbelindustrie wuchs im vergangenen Jahr um 2,5 Prozent, February 17, 2015; VHI Verband der Deutschen Holzwerkstoffindustrie e.V.; Hauptverband der Deutschen Bauindustrie e.V. – Bauhauptgewerbe im Mai 2015, July 24, 2015)*





## B. Business trend

### 1. General statement on the business trend

The Homann Holzwerkstoff Group continued to develop its business model in the first half of 2015. The specialisation in the production, finishing and distribution of thin high-end wooden fibreboard (HDF/ MDF) for the furniture, doors, coatings and automotive industries with an above-average service level led to good capacity utilisation in all three plants.

### 2. Results of operation

The Group's sales revenues were down by EUR 3.8 million on the prior year period. However, sales revenues in the prior year period included the revenues generated by Homatrade GmbH, which has been

sold in the meantime and was therefore deconsolidated with effect from December 31, 2014. Adjusted for Homatrade's sales revenues, the Group's revenues increased by roughly EUR 1.0 million.

The cost of materials declined at a higher rate than sales revenues, primarily due to the discontinuation of Homatrade's operations and the more favourable raw materials prices compared to the previous year.

With regard to own work capitalised, please refer to point 7.b in the notes to the interim consolidated financial statements.

Other operating income increased from EUR 3.6 million in the previous year to EUR 7.2 million. Material income includes exchange gains of EUR 2.7 million and income from the sale of tangible assets in the amount of EUR 4.1 million.

Personnel expenses rose moderately from EUR 15.8 million to EUR 16.2 million, primarily due to an increase in the headcount.

Other operating expenses were reduced from EUR 20.7 million in the prior year period to EUR 19.9 million. For the main expense items, please refer to point 7.f in the notes to the interim consolidated financial statements.

At EUR 13.2 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) almost doubled compared to the first half of 2014.

The financial result also improved moderately; for details, refer to point 7.g in the notes to the interim consolidated financial statements.

### 3. Net assets

Fixed assets increased from EUR 158.0 million on December 31, 2014 to EUR 173.5 million. The main investments were made in Krosno. After the production of the first board on March 26, 2015, the production capacities were stepped up successively as of June 30, 2015 and the plant officially taken into operation on July 15, 2015. Homanit GmbH & Co. KG sold three plants in the first half of 2015 and generated a profit of EUR 4.1 million; the company has leased back these plants as they are necessary for its operations.

Inventories as a percentage of total assets declined from 9.6% to 9.3%. Work in progress and finished goods continue to cover about half a month of sales.

Other assets with the exception of cash and cash equivalents as well as investments classified as current assets declined by EUR 2.2 million and now account for 13.3% of total assets (down from 14.7%). The funds released were used to finance investments, in particular.

The equity ratio climbed from 7.4% on December 31, 2014 to 8.9% on June 30, 2015 in spite of the increased total assets; besides the consolidated net profit for the period of EUR 3.9 million, changes in the PLN exchange rate contributed EUR 0.7 million to the improved equity ratio. As a result of the PLN exchange rate trend, Group reserves improved from EUR -9.2 million to EUR -8.5 million.

Taking into account the silent partnership in the amount of EUR 5.3 million and the neutralisation of the negative Group reserve from exchange differences, equity amount to EUR 35.4 million, which is equivalent to an equity ratio of 14.6%.

Liabilities totalled EUR 214.2 million as of June 30, 2015 (EUR 208.2 million as of December 31, 2014), with liabilities to financial institutions climbing from EUR 64.4 million to EUR 74.8 million.

### 4. Financial position

The statement of cash flows shows cash flow from operating activities of EUR 4.0 million for the first half of 2015. Net cash used in investing activities amounted to EUR 15.5 million, part of which was provided by financing activities, in addition to the cash flow from operating activities. The remaining amount needed to finance investments led to a decline in net cash and cash equivalents by EUR 6.1 million. We point out that new statutory requirements (DRS 21) have resulted in an amended presentation of the cash flow statements; in particular, current liabilities to financial institutions now have to be shown separately from any respective credit balances.

### C. Opportunities and risks

The opportunity and risk situation of the Homann Holzwerkstoffe Group has not changed materially compared to December 31, 2014. Risks that could jeopardise the Group's existence cannot be identified at present.

Detailed information on the Group's risk situation can be found in the Group Management Report in the 2014 consolidated financial statements in the "Future opportunities and risk" chapter on page 12.

### D. Post balance sheet events

No events that are expected to have a material impact on the results of operation, financial position and net assets of the Homann Holzwerkstoffe Group occurred after June 30, 2015.

### E. Forecast

Except for minor final payments, the investment in the HDF/MDF production facility and the finishing centre in Krosno, Poland, has been completed. The total investment had been budgeted at EUR 85 million and will be fully settled and paid in the second half of 2015 with a 2% deviation. As production will be stepped up in the coming months, we expect to almost reach the budgeted output although the facility was taken into operation slightly later than planned.

Due to the belated start-up, sales revenues were slightly below budget at the half-year stage and will reach the planned level by the end of the year as sales of finished products increase.

The prices of the two most important raw materials, wood and glue, were below plan in the first half of the year. We expect this trend to continue moderately in the second half of the year.

Due to increased sales of finished products, the results from operation continue to show a positive, better-than-planned trend. The EBITDA target of EUR 23 million set for 2015 will be reached from today's point of view.

The additional one-time effects (EUR 8 million) have been contractually agreed in full and were partly realised in the first half of the year. They will result in additional liquidity of close to EUR 4 million in the second half of the year.

The company will continue to reduce its cost base and increase the share of finished products with a view to further boosting its profitability.

Herzberg am Harz, August 31, 2015



(Fritz Homann)





Homann Holzwerkstoffe GmbH  
Herzberg am Harz

Notes to interim consolidated financial statements  
for the period from January 1, 2015 to June 30, 2015

## CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2015

Homann Holzwerkstoffe GmbH, Herzberg

## ASSETS

	Item Comment	EUR	June 30, 2015 EUR	June 30, 2014 EUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b> 6.a.				
1.	Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	63,784.39		62,996.83
2.	Advance payments made	<u>2,783,434.74</u>		<u>2,532,097.14</u>
			2,847,219.13	2,595,093.97
<b>II. Tangible assets</b> 6.a.				
1.	Properties, rights equivalent to real property and structures including structures on third-party properties	24,915,856.78		25,492,909.08
2.	Technical equipment and machinery	65,299,950.63		66,361,899.02
3.	Other property, plant and equipment	4,672,824.32		3,339,331.94
4.	Advance payments made and work in progress	<u>74,989,640.06</u>		<u>59,375,860.73</u>
			169,878,271.79	154,570,000.77
<b>III. Financial assets</b> 6.b.				
1.	Shares in affiliated companies	25,000.00		25,000.00
2.	Equity investments	<u>782,324.50</u>		<u>782,324.50</u>
			807,324.50	807,324.50
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1.	Raw materials and supplies	15,578,509.70		13,635,047.11
2.	Unfinished goods	1,659,250.32		38,763.66
3.	Finished goods	5,126,746.43		8,310,828.77
4.	Advance payments made	<u>225,213.27</u>		<u>44,125.27</u>
			22,589,719.72	22,028,764.81
<b>II. Receivables and other assets</b> 6.c.				
1.	Trade receivables	1,838,618.59		2,181,069.63
2.	Receivables from affiliated companies	0.00		210,443.79
3.	Receivables from shareholders	12,522,187.00		13,515,184.00
4.	Other assets	<u>12,981,952.57</u>		<u>14,190,769.57</u>
			27,342,758.16	30,097,466.99
<b>III. Other securities</b> 6.d.				
			3,398,765.27	6,307,283.95
<b>IV. Cash holdings, bank deposits and cheques</b>				
			10,770,580.08	11,274,111.07
<b>C. Accrued items</b> 6.c.				
			2,491,091.22	1,338,219.13
<b>D. Deferred tax assets</b> 6.e.				
			<u>2,129,983.00</u>	<u>2,706,393.00</u>
			<u>242,255,712.87</u>	<u>231,724,658.19</u>

## LIABILITIES

	Item Comment	EUR	June 30, 2015 EUR	June 30, 2014 EUR
<b>A. Equity capital</b>				
	6.f.			
<b>I. Subscribed capital</b>		25,000,000.00		25,000,000.00
<b>II. Reserves</b>				
Capital reserves		25,564.60		25,564.60
Other retained earnings		21,839.00		21,839.00
Group reserves		-8,495,944.98		-9,155,664.51
<b>III. Consolidated unappropriated retained earnings</b>		4,988,160.81		1,065,063.45
			21,539,619.43	16,956,802.54
<b>B. Provisions</b>				
	6.g.			
1. Provisions for pensions		1,448,361.00		1,373,269.00
2. Provisions for taxes		1,113,916.15		1,125,148.39
3. Other provisions		3,976,539.32		4,111,495.73
			6,538,816.47	6,609,913.12
<b>C. Liabilities</b>				
	6.h.			
1. Bonds		100,000,000.00		100,000,000.00
2. Silent partnership		5,250,000.00		5,250,000.00
3. Liabilities to financial institutions		75,993,476.47		65,700,646.66
4. Advance payments received		73,148.85		0.00
5. Trade liabilities		17,865,312.84		19,579,149.04
6. Liabilities to affiliated companies		0.00		55,076.05
7. Other liabilities		14,851,338.81		17,573,070.78
			214,033,276.97	208,157,942.53
<b>D. Accruals and deferred income</b>				
		144,000.00		0.00
			242,255,712.87	231,724,658.19
<b>Contingent liabilities</b>				
	8.			

## CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to June 30, 2015

	Item Comment	Jan. 1, 2015 to June 30, 2015 EUR	Jan. 1, 2014 to Dec. 31, 2014 EUR	Jan. 1, 2014 to June 30, 2014 EUR
1.Revenues	7.a	101,206,747.38	202,972,711.76	105,068,379.92
2.Reduction/increase in inventory of finished and unfinished goods		-1,694,814.91	-80,058.82	-397,928.86
3.Other own work capitalised	7.b	3,580,707.08	631,310.54	279,367.62
4.Other operating income	7.c	7,247,328.93	8,530,378.59	3,635,040.30
		<b>110,339,968.48</b>	<b>212,054,342.07</b>	<b>108,584,858.98</b>
5.Cost of materials	7.d			
a) Cost of raw materials and consumables and goods for resale		-53,355,336.85	-109,531,984.44	-57,132,296.89
b) Cost of purchased services		-7,668,491.99	-17,482,113.15	-7,946,055.20
		-61,023,828.84	-127,014,097.59	-65,078,352.09
<b>Gross profit or loss</b>		<b>49,316,139.64</b>	<b>85,040,244.48</b>	<b>43,506,506.89</b>
6.Expenses for personnel	7.e			
a) Wages and salaries		-13,608,398.20	-25,851,673.52	-13,147,388.17
b) Social security, pensions and other benefits		-2,625,193.27	-5,365,796.66	-2,672,386.53
		-16,233,591.47	-31,217,470.18	-15,819,774.70
7.Depreciation and amortisation of intangible and tangible fixed assets		-5,949,524.55	-10,492,233.49	-5,184,268.20
8.Other operating expenses	7.f	-19,919,546.97	-39,400,085.90	-20,725,838.91
<b>Operating result</b>		<b>7,213,476.65</b>	<b>3,930,454.91</b>	<b>1,776,625.08</b>
9.Income from investments		0.00	300,000.00	0.00
10.Income from other investments and loans classified as financial assets		197,990.72	113,649.00	821,717.63
11.Other interest and similar income		300,609.16	1,714,810.95	194,144.08
12.Write-down of financial investments and investments classified as current assets		-1,740.99	-2,118,803.70	-1,290.57
13.Interest and similar expenditure		-3,527,583.05	-7,874,692.52	-4,332,057.75
<b>Financial result</b>	7.g	<b>-3,030,724.16</b>	<b>-7,865,036.27</b>	<b>-3,317,486.61</b>
<b>Results from ordinary activities</b>		<b>4,182,752.49</b>	<b>-3,934,581.36</b>	<b>-1,540,861.53</b>
14.Extraordinary expenses	7.h	0.00	-1,232,690.30	-711,498.25
15.Income taxes	7.i	-259,655.13	-577,255.47	247,348.82
<b>16.Consolidated net income / loss for the year</b>		<b>3,923,097.36</b>	<b>-5,744,527.13</b>	<b>-2,005,010.96</b>
17.Consolidated unappropriated profits carried forward		1,065,063.45	6,809,590.58	6,809,590.58
18.Allocation to consolidated reserves		0.00	0.00	-679,824.58
<b>19.Consolidated unappropriated retained earnings</b>		<b>4,988,160.81</b>	<b>1,065,063.45</b>	<b>4,124,755.04</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to June 30, 2015

	Jan. 1, 2015 to June 30, 2015 EUR	Jan. 1, 2014 to Dec. 31, 2014 EUR	Jan. 1, 2014 to June 30, 2014 EUR
<b>Consolidated result</b>	3,923	-5,745	-2,005
Depreciation of assets	5,950	10,492	5,184
Decrease in provisions	-71	-2,974	-627
Other non-cash income/expenses	-80	1,520	-177
Decrease/increase in inventories	-561	4,055	857
Decrease in trade receivables	342	4,356	2,495
Decrease/increase in receivables from shareholders	1,204	-5,434	1,239
Decrease in other assets	633	817	3,056
Decrease in trade payables	-1,641	-1,568	-3,260
Decrease in liabilities to shareholders and affiliated companies	-55	-144	-20
Decrease/increase in other liabilities	-2,578	7,370	902
Gains on the disposal of shares in affiliated companies	0	-2,382	0
Loss/profit from the disposal of fixed assets	-4,125	24	-302
Interest expenses	398	5,718	412
Currency-related change in assets/liabilities	660	825	344
<b>Cash flow from operating activities</b>	<b>3,999</b>	<b>16,930</b>	<b>8,098</b>
Proceeds from the disposal of tangible assets / intangible assets	5,053	72	6,082
Cash paid for investments in tangible assets / intangible assets	-20,500	-58,753	-29,501
Proceeds from the disposal of subsidiary companies	0	2,800	0
<b>Cash outflow from investing activities</b>	<b>-15,447</b>	<b>-55,881</b>	<b>-23,419</b>
Cash received from the raising of loans	10,000	3,488	0
Payments for the redemption of financial loans	-4,000	-5,954	-632
Payments for the redemption of the silent partnership	-225	-4,919	0
Cash received from the issue of bonds	0	25,000	25,000
Interest paid	-398	-8,861	-412
<b>Cash flow from financing activities</b>	<b>5,377</b>	<b>8,754</b>	<b>23,956</b>
<b>Change in cash and cash equivalents</b>	<b>-6,071</b>	<b>-30,197</b>	<b>8,635</b>
<b>Consolidation-related change in cash and cash equivalents</b>	<b>0</b>	<b>-161</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period	-10,552	19,806	19,806
<b>Cash and cash equivalents at the end of the period</b>	<b>-16,623</b>	<b>-10,552</b>	<b>28,441</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to June 30, 2015

### Majority shareholder

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Group reserves (adjustment item from foreign cur- rency translation) EUR	Consolidated unappropriated retained earnings (Group equity capital generated) EUR	Group equity capital EUR
January 1, 2014	25,000,000	25,565	21,839	-8,041,209	6,809,590	23,815,785
Exchange differences	0	0	0	-135,777	0	-135,777
Other differences	0	0	0	679,824	-679,824	0
Group result for the year	0	0	0	0	-2,005,011	-2,005,011
June 30, 2014	25,000,000	25,565	21,839	-7,497,162	4,124,755	21,674,997
Changes in the basis of consolidation	0	0	0	-22,714	0	-22,714
Exchange differences	0	0	0	-955,965	0	-955,965
Other differences	0	0	0	-679,824	679,824	0
Group result for the year	0	0	0	0	-3,739,516	-3,739,516
December 31, 2014/ January 1, 2015	25,000,000	25,565	21,839	-9,155,665	1,065,063	16,956,802
Exchange differences	0	0	0	659,720	0	659,720
Other differences	0	0	0	0	0	0
Group result for the year	0	0	0	0	3,923,097	3,923,097
June 30, 2015	25,000,000	25,565	21,839	-8,495,945	4,988,160	21,539,619





ZAKAZ STĘPIĆ  
CUDZIENI  
MODYFIKACJI  
SIŁ  
AUTOMATYCZNE

Homann Holzwerkstoffe GmbH  
Herzberg am Harz

Explanatory notes to the interim consolidated financial statements  
for the period from January 1, 2015 to June 30, 2015

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2015

### 1. Preparation of the interim consolidated financial statements

The interim consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 2015 were drawn up in accordance with the requirements of the German Commercial Code (HGB). The financial statements of consolidated companies were generally drawn up in accordance with the requirements of the respective countries. For the purposes of the interim consolidated financial statements, the separate financial statements were converted pur-

suant to sections 300, para. 2, and 308 HGB to a uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organised according to the total cost accounting method (Gesamtkostenverfahren; section 275, para. 2 HGB). The balance sheet figures for the previous year relate to December 31, 2014, while the income statement figures relate to the period from January 1, 2014 to June 30, 2015.

### 2. Basis of consolidation

The following companies were included in the interim consolidated financial statements as of June 30, 2015:

No. Company	Equity share	Held by	Equity	Net profit/loss for
			June 30, 2015	the period as of
	%	No..	100%	Jan. 1, 2015 to
			KEUR	June 30, 2015
1 Homann Holzwerkstoffe GmbH, Herzberg				
2 Homanit Holding GmbH, Losheim	100.00	1	53,558	-116
3 Homanit GmbH & Co. KG, Losheim	100.00	2	27,655	+6,334
4 Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	33	+2
5 Homanit France SARL, Schiltigheim	100.00	3	22	+1
6 Homanit Polska Sp.z o.o., Spolka Kommandytowa, Karlino	99.99 0.01	3 7	44,736	+6,691
7 Homanit Polska Sp.z o.o., Karlino	100.00	3	384	+59
8 Homatrans Sp.z o.o., Karlino	100.00	6	996	+322
9 Homanit Krosno Odranskie Sp.z o.o., Krosno	99.99	2	-9,429	-4,136
11 Homatech Polska Sp.z o.o., Karlino	100.00	6	159	+10

### 3. Consolidation principles

Capital consolidation is performed by offsetting the carrying amount of investments in the Group companies against the proportionate balance sheet equity at the time of initial inclusion. The interim consolidated financial statements show no goodwill from capital consolidation. Negative goodwill is recognised in Group reserves. The purchase method (Neubewertungsmethode) was used for Group companies that were included in the interim consolidated financial statements for the first time after December 31, 2009. As Homatrade GmbH was deconsolidated with effect from December 31, 2014, the income statement figures for the first half of 2014 still include the figures of Homatrade.

Payables and receivables between consolidated companies are eliminated.

Revenues, income, and expenses between consolidated companies are eliminated.

Interim results with respect to finished and unfinished goods from intra-Group deliveries and services as well as gains and losses from intra-Group sales of fixed assets are eliminated, unless they are of minor importance.

### 4. Currency translation

The balance sheets of consolidated companies drawn up in a foreign currency are translated at the rate in effect as of June 30, while income statements are generally translated at the average rate for the period from January 1 to June 30. Rate differences from the translation of subscribed capital as well as profit carried forward from subsequent consolidation are recognised in Group reserves. The differences from translation of annual results at average rates are recognised in Group reserves with no effect on profit or loss.

Rate differences arise from the translation of payables and receivables denominated in a foreign currency where the translation rate has changed between the time the payable or receivable arose and the balance sheet date. These rate differences are recognised in Group reserves with no effect on profit or loss.

### 5. Accounting policies

HHW accounting policies also apply to the consolidated financial statements. Annual financial statements drawn up in accordance with Polish law were generally adjusted to conform with the consolidated accounting guidelines under HGB.

**Intangible assets** are measured at cost of purchase, less scheduled straight-line depreciation.

**Tangible assets** are measured at cost of purchase or manufacture less scheduled depreciation. The latter consists in part of the expenses incurred until the time the facilities reached operable condition. Amortisation and depreciation are carried out using both the straight-line and the declining-balance method based on the expected useful life of the asset and in accordance with tax provisions. The straight-line method is applied where it leads to a higher rate of amortisation or depreciation than the declining balance method.

**Financial assets** are measured at cost of purchase. Required valuation adjustments are applied.

**Inventories** are measured at cost of purchase and cost of manufacture according to the lower of cost or market principle. Where necessary, lower fair values were recognised.

**Finished and unfinished goods** are measured at cost of manufacture, paying regard to the strict lower of cost or market principle. Cost of manufacture consists in part of direct material and production unit costs as well as the necessary material and production overhead costs. Administrative costs and cost of sales are not included in the cost of manufacture.

**Receivables and other assets** are recognised at nominal values. Individual impairments are undertaken for individual risks. Foreign-currency receivables are recognised at the exchange rate in effect on the transaction date or at lower rates in effect on the balance sheet date.

**Liquid funds** are stated at the nominal value. Funds in foreign currencies are translated at the spot exchange rate as of the reporting date.

**Investments classified as current assets** are recognised at amortised cost. They are written down to the lower fair value if the market value is below the cost of acquisition on the effective date. A write-up is performed when the market value increases again. The cost of acquisition is the upper limit for the valuation.

Advance payments of costs that concern the following months are recognised in **prepaid expenses**. Discounts do not form part of prepaid expenses.

The right to elect to capitalise **deferred taxes** for the total tax relief is exercised. Deferred tax assets and liabilities are offset in the balance sheet. For details, please see the remarks in the notes to the balance sheet.

With regard to the recognition of **provisions for pensions**, please see the remarks in the notes to the balance sheet.

**Tax provisions** and **other provisions** take into account all discernible risks and contingent liabilities pursuant to section 253, para. 1, sentence 2 HGB. Provisions with a term of more than one year are discounted at the average market interest rate over 15 years.

**Liabilities** are recognised at the repayment amount. Liabilities in foreign currencies are translated at the exchange rate on the day of acquisition or at higher exchange rates prevailing on the reporting date.



## 6. Notes to the interim consolidated balance sheet

Changes in consolidated fixed assets for the period from January 1, 2015 to June 30, 2015:

	Cost of purchase/manufacture					
	Date Jan. 1, 2015 EUR	Re- classifications EUR	Additions EUR	Disposals EUR	Foreign exchange differences EUR	Date June 30, 2015 EUR
<b>I. Intangible assets</b>						
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	1,694,438.20	2,535.44	13,024.67	-2,565.62	13,230.78	1,720,663.47
2. Advance payments made	2,532,097.14	0.00	251,337.60	0.00	0.00	2,783,434.74
	4,226,535.34	2,535.44	264,362.27	-2,565.62	13,230.78	4,504,098.21
<b>II. Tangible fixed assets</b>						
1. Properties, rights equivalent to real property and structures including structures on third-party properties	47,150,071.78	191,059.40	22,220.11	-98,903.41	402,800.47	47,667,248.35
2. Technical equipment and machinery	148,241,307.73	1,815,025.04	1,163,775.09	-36,965,282.73	1,459,208.22	115,714,033.35
3. Other property, plant and equipment	11,184,394.14	178,053.84	1,764,990.29	-1,139,468.50	68,686.96	12,056,656.73
4. Advance payments made and work in progress	59,375,860.73	-2,185,166.32	17,284,433.80	0.00	514,511.85	74,989,640.06
	265,951,634.38	-1,028.04	20,235,419.29	-38,203,654.64	2,445,207.50	250,427,578.49
<b>III. Financial assets</b>						
1. Shares in affiliated companies	25,000.00	0.00	0.00	0.00	0.00	25,000.00
2. Loans to affiliated companies	782,324.50	0.00	0.00	0.00	0.00	782,324.50
	807,324.50	0.00	0.00	0.00	0.00	807,324.50
	270,985,494.23	1,507.40	20,499,781.56	-38,206,220.26	2,458,438.27	255,739,001.20

Depreciation/impairments					Book value			
Date Jan. 1, 2015 EUR	Additions EUR	Disposals EUR	Re- classifications EUR	Foreign exchange differences EUR	Date June 30, 2015 EUR	Date June 30, 2015 EUR	Date Jan. 1, 2015 EUR	
1,631,441.37	12,147.62	-762.35	1,507.40	12,545.04	1,656,879.08	63,784.39	62,996.83	
0.00	0.00	0.00	0.00	0.00	0.00	2,783,434.74	2,532,097.14	
1,631,441.37	12,147.62	-762.35	1,507.40	12,545.04	1,656,879.08	2,847,219.13	2,595,093.97	
21,657,162.70	1,038,412.89	-47,182.41	0.00	102,998.39	22,751,391.57	24,915,856.78	25,492,909.08	
81,879,408.71	4,410,009.55	-36,254,165.74	0.00	378,830.20	50,414,082.72	65,299,950.63	66,361,899.02	
7,845,062.20	488,954.49	-976,147.78	0.00	25,963.50	7,383,832.41	4,672,824.32	3,339,331.94	
0.00	0.00	0.00	0.00	0.00	0.00	74,989,640.06	59,375,860.73	
111,381,633.61	5,937,376.93	-37,277,495.93	0.00	507,792.09	80,549,306.70	169,878,271.79	154,570,000.77	
0.00	0.00	0.00	0.00	0.00	0.00	25,000.00	25,000.00	
0.00	0.00	0.00	0.00	0.00	0.00	782,324.50	782,324.50	
0.00	0.00	0.00	0.00	0.00	0.00	807,324.50	807,324.50	
113,013,074.98	5,949,524.55	-37,278,258.28	1,507.40	520,337.13	82,206,185.78	173,532,815.42	157,972,419.24	

**a) Intangible assets and tangible assets**

Intangible assets, tangible assets and financial assets increased from kEUR 157,972 as of December 31, 2014 to kEUR 173,533 as of June 30, 2015. Investments in the first half of 2015 totalled kEUR 20,500, while depreciation/amortisation amounted to kEUR 5,950, exchange differences to kEUR +1,938 and disposals to kEUR 928.

The disposals essentially relate to plant and machinery which continue to be used under a sale-and-lease-back arrangement.

**b) Financial assets**

The shares in HBG Holzbaustoff Beteiligungs-GmbH, Munich, were recognised as shares in affiliated companies. This company is currently not consolidated as it is of minor importance. The equity investment relates to DHN Transportmittel GmbH & Co. KG as well as its general partner. The Group holds 50% of the shares in each company. These companies are also not consolidated as they are of minor importance.

**c) Receivables, other assets, prepaid expenses**

Receivables from shareholders involve the interest-bearing clearing accounts with Fritz Homann GmbH and VVS GmbH. Significant items recognised in other assets are tax refund claims amounting to kEUR 5,721 (previous year: kEUR 8,172) as well as receivables from a factoring company amounting to kEUR 3,635 (previous year: kEUR 2,970).

**d) Other securities**

Homann Holzwerkstoffe GmbH holds the following securities in its custody accounts:

	June 30, 2015 kEUR	Dec. 31, 2014 kEUR
Other securities	0	52
Corporate bonds	3,388	6,145
Poland government bond	0	99
Global Energy S.A. (formerly: Hardex S.A.)	11	11
	3,399	6,307

Of the corporate bonds, an amount of kEUR 3,288 (previous year: kEUR 6,045) relates to an investment in the bond issued by the company.

**e) Deferred tax assets**

Deferred tax assets totalling kEUR 258 (previous year: kEUR 229) are the result of differing valuation approaches used for the commercial balance sheet and the tax balance sheet. Deferred tax liabilities of kEUR 112 (previous year: kEUR 53) were deducted from these. Additional deferred tax assets of kEUR 1,740 (previous year: kEUR 2,339) were calculated on losses carried forward. The tax payable was determined in accordance with the respective legal form. Tax rates of between 13% and 26.25% were used.

Consolidation measures resulted in additional deferred tax assets totalling kEUR 244 (previous year: kEUR 191). The parent company's tax rate of 26.25% was applied to the consolidation measures.

## f) Equity

Subscribed capital, reserves and consolidated unappropriated retained losses are recognised as **equity**.

Pursuant to commercial register entries, the following shareholder relationships existed as of June 30, 2015:

	kEUR	%
Fritz Homann GmbH	20,000	80.00
VVS GmbH	5,000	20.00
	25,000	100.00

Other retained earnings resulted from the change of accounting rules implemented as a result of the German Accounting Modernisation Act (BilMoG).

Group reserves consist of the following:

	June 30, 2015 kEUR	Dec. 31, 2014 kEUR
Exchange differences	-8,578	-9,238
Negative goodwill arising from capital consolidation	+82	+82
	-8,496	-9,156

The negative goodwill resulting from initial consolidation relates to Homatrans (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2). In the event of the sale of the shares in these companies, the negative goodwill will be released through profit.

As of June 30, 2015, the **consolidated unappropriated retained earnings** amounted to kEUR 4,988. The reconciliation arises from the income statement.

## g) Provisions

**Pension provisions** were recognised in accordance with actuarial reports. The projected unit credit method was applied for the first time. The calculation was based on the following assumptions:

	30.06.2015 TEUR
Interest rate	4.21 %
Anticipated wage and salary increases p.a.	0.00 %
Expected pension increases p.a.	1.50 %
Staff turnover p.a.	3.30 %

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations from previous years primarily as a result of tax audits.

**Other provisions** primarily involve obligations to employees (kEUR 2,661) and bonuses (kEUR 450).

The liabilities resulting from domestic early retirement arrangements are backed by securities. These securities are offset against the underlying liabilities. As of June 30, 2015, a negative difference in the amount of kEUR 785 (previous year: kEUR 927) arose which was recognised in other provisions. The provisions amounted to kEUR 2,308 (previous year: kEUR 2,310), and the plan assets offset against the latter at fair value amounted to kEUR 1,523 (previous year: kEUR 1,383). In the income statement, there was a corresponding offsetting of the expenses from compounding against the interest income from the investment of the plan assets.

## h) Liabilities

On 14 December 2012, the company issued a 5-year corporate bond in the amount of EUR 50 million at the Frankfurt/Main stock exchange. The bond was increased by EUR 25 million each in July 2013 and in May 2014. Interest is payable in arrears on December 14 of each year. The interest rate is 7.0% p.a. The bond is unsecured and unsubordinated. Interest was recognised on an accrual basis as of June 30, 2015.

The silent partnership in the financial statements of the subsidiary Homanit GmbH & Co. KG serves to strengthen the equity base and relates to two tranches with terms until December 30, 2015 and September 30, 2022, respectively, which are held by a financial institution.

Liabilities to financial institutions are secured by land charges (Grundschulden) on corporate properties and by security assignments relating to purchased

machinery and inventories. Compared to December 31, 2014, they increased by kEUR 10,293.

A customer loan amounting to kEUR 1,920 (previous year: kEUR 2,425) was recognised in other liabilities. The customer participates in the financing of investments in technical facilities. This item also includes, in particular, liabilities from plant orders of kEUR 4,744 (previous year: kEUR 11,095) and outstanding wages of kEUR 1,223 (previous year: kEUR 1,135) as well as accrued interest under the bond issue in the amount of kEUR 3,782 (previous year: kEUR 311). Taxes accounted for kEUR 744 (previous year: kEUR 1,030) and social insurance contributions for kEUR 813 (previous year: kEUR 784). Of the liabilities from plant orders, an amount of kEUR 2,468 relates to advance payments made by a leasing firm for the future ERP software.

Other own work capitalised.

## 7. Notes to the income statement

### a) Revenues

Sales revenues break down into kEUR 22,356 generated in Germany (previous year: kEUR 22,765) and kEUR 78,851 generated abroad (previous year: kEUR 82,303). The table below shows a breakdown of revenues by Group companies:

	June 30, 2015 kEUR	June 30, 2014 kEUR
Homanit Germany	37,008	41,069
Homanit Poland	55,423	51,421
Homatrade	0	4,712
Homanit Krosno	26,825	22,466
Other	3,580	4,141
Consolidation	-21,629	-18,741
	101,207	105,068

### b) Other own work capitalised

Other own work capitalised was realised primarily in Krosno, Poland, and relates to the construction and reconstruction of buildings and technical plants. Besides direct material costs and material overheads, direct and indirect labour costs were capitalised as well to the extent that they could be assigned to the projects.

### c) Other operating income

The main item recognised in other operating income were exchange gains of kEUR 2,712 (previous year: kEUR 2,712). It also includes income from the sale of fixed assets in the amount of kEUR 4,125 (previous year: kEUR 303).

#### d) Cost of materials

The cost of materials declined by kEUR 4,055 compared to the prior year period, i.e. at a somewhat higher rate than sales revenues. It should be noted that Homatrade GmbH was deconsolidated with effect from December 31, 2014.

#### e) Expenses for personnel

Expenses for personnel in the first half of 2015 were up by kEUR 414 on the same period of the previous year, primarily due to the increased headcount as well as to Expenses for personnel of kEUR 211 unrelated to the period.

The table below shows the year-on-year changes in the average number of employees (excluding trainees and managers):

	June 30, 2015	June 30, 2014
Salaried workers	285	284
Hourly workers	1,080	1,029
	1,365	1,313

#### f) Other operating expenses

The main items recognised in other operating expenses were:

	June 30, 2015 TEUR	June 30, 2014 TEUR
Freight and other sales costs	7,466	6,787
Currency losses	1,733	3,460
Repair and maintenance costs	2,924	2,035
Administrative costs	3,931	3,644
Costs of performance	1,888	2,270

Currency losses were offset by currency gains of kEUR 2.712 (previous year: kEUR 2,712), which are shown under other operating income. Other operating expenses also include other taxes in the amount of kEUR 392 (previous year: kEUR 371).

#### g) Financial result

Income from other investments and loans classified as financial assets primarily relates to interest income from the bond issued by the company. Interest expenses declined by kEUR 804; it should be noted that the proceeds from the bond issue were mainly used for the investments in Krosno. The parent company granted the corresponding loans to its subsidiaries and made the capital contributions. Interest on the loan was recognised in fixed assets where possible; as a result, interest expenses were lower than in the first half of 2014 in spite of the increase in interest-bearing liabilities.

#### h) Extraordinary expenses

In the previous year extraordinary expenses related to the expenses for the restructuring process in Losheim.

#### i) Income taxes

This item contains income tax expenses for the first half of 2015 in the amount of kEUR 112 (previous year: kEUR 121), income from the refund of Polish withholding tax in the amount of kEUR 518, income tax payments for prior years of kEUR 48 as well as income from deferred taxes from intra-group income from the sale of fibreboards and fixed assets in the amount of kEUR 9. In addition, deferred tax assets of kEUR 626 were derecognised as an expense due to the utilisation of tax losses carried forward.

## 8. Other financial commitments

As of the balance sheet date, **other financial commitments** amounted to kEUR 9,751 (previous year: kEUR 4,590). These commitments involve rental and leasing agreements. There is also a liability from plant orders amounting to kEUR 4,000 (previous year: kEUR 28,059). Agreements are in place with three fi-

nancial institutions for financing instruments designed to hedge interest rate and exchange rate risks. Due to the positive market value, no corresponding provision (previous year: kEUR 46) was established as of the balance sheet date.

## 9. Notes to the statement of cash flows

DRS 21 (German Account Standard No. 21) must first be applied for financial years commencing after December 31, 2014 by all parent companies preparing consolidated financial statements to section 290 of the German Commercial Code (HGB). HHW decided to apply the new regulations already for the period from January 1 to June 30, 2015; no use was made of the option not to adjust the prior year figures. This means that the figures for the previous year and for the comparative period from January 1 to June 30, 2014 are comparable. Material amendments relate to the composition of cash and cash equivalents as well as to the separate presentation of interest. The previous option to include liabilities to financial institutions

payable on demand as well as other short-term loans raised for cash management purposes, in cash and cash equivalents has been replaced with the duty to include such items.

As of June 30, 2015, cash and cash equivalents were composed as follows:

Liquid funds	10,771
Available-for-sale investments classified as current assets	3,399
Current liabilities to financial institutions	-30,793
Cash and cash equivalents	-16,623

## 10. Other information

The parent company of Homann Holzwerkstoffe GmbH is Fritz Homann GmbH, Herzberg.

Mr Fritz Homann, Commercial Manager, Munich, is responsible for the conduct of business.

No direct advance payments or loans were granted to members of the management. In addition, no contingent liabilities were assumed.

Herzberg, August 14, 2015



(Fritz Homann)

## REVIEW REPORT

After our dutiful review and based on the evidence received, we are convinced that the interim consolidated financial statements for the period ended June 30, 2015 of Homann Holzwerkstoffe GmbH, Herzberg, presented to us – comprising the consolidated balance sheet, the consolidated income statement, the notes to the interim consolidated financial statements, the consolidated statement of cash flows, the consolidated statement of changes in equity and the statement of Group assets as well as the comparative figures for the period ended June 30, 2014 – are plausible within the given circumstances. We therefore issue the following certificate for the interim consolidated financial statements of Homann Holzwerkstoffe GmbH:

### **To Homann Holzwerkstoffe GmbH, Herzberg:**

We have reviewed the interim consolidated financial statements of Homann Holzwerkstoffe GmbH, Herzberg, for the period from January 1, 2015 until June 30, 2015 – comprising the consolidated balance sheet, the consolidated income statement, the notes to the interim consolidated financial statements, the consolidated statement of cash flows, the consolidated statement of changes in equity and the statement of Group assets as well as the comparative figures for the period ended June 30, 2014.

The preparation of the interim consolidated financial statements in accordance with the provisions of German commercial law is the responsibility of the company's legal representatives. Our remit is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We completed our review of the condensed interim consolidated financial statements and the interim Group management report based on German principles for financial reporting review engagements established by the IDW ("Institut der Wirtschaftsprüfer", German institute of auditors). According to these principles, a review engagement must be planned and carried out so that, based on a critical appraisal, we can be reasonably certain that the interim consolidated financial statements comply with the provisions of German commercial law and convey an accurate and fair view of the Group's net assets, financial position and results of operation in keeping with generally accepted accounting principles. A review engagement is mainly limited to interviews with company employees and an analytical evaluation, which means it does not result in the same level of certainty attained by an audit. Since we were not engaged to complete an audit, we are not issuing an audit opinion.

During our review engagement, we did not become aware of any information that would indicate that the interim consolidated financial statements of Homann Holzwerkstoffe GmbH, Herzberg, for the period from January 1, 2015 until June 30, 2015 and the comparative figures for the period ended June 30, 2014 were not prepared in accordance with the provisions of German commercial law.

Viersen, August 21, 2015

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Wirtschaftsprüfungsgesellschaft

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