HOMANN
HOLZWERKSTOFFE

Consolidated Financial Statements 2017 for Homann Holzwerkstoffe GmbH

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for the period from January 1, 2017 to December 31, 2017

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FOREWORD

Dear Reader,

Our Group continued to post stable growth in 2017, and growth rates actually increased over the course of the year. Revenues were up 13.9 % last year, to EUR 256.9 million, and earnings before interest and taxes (EBIT) improved by 28.1 %, to EUR 20.8 million. Despite the one-off extraordinary cost of refinancing the bond issue, EBITDA nearly matched estimates and also posted a clear double-digit gain, to EUR 37.7 million.

We were able to successfully place a new EUR 60 million bond issue maturing in 2022, as well as implementing an affordable and fairly priced bank financing transaction. These funds served primarily to refinance our first bond issue from 2012 as planned, with a total volume of EUR 100 million.

In 2017, we continued to invest above all in our customer relationships, particularly in improving quality and service and optimizing delivery times. In order to give our customers an ever greater and more far-reaching sense of security, we took another step towards improving product quality in 2017 and established ourselves once again as a market leader and technological pioneer. Our entire product portfolio conforms to California's CARB2 emissions rules, so that our products already meet future US requirements. Of course, our products also comply with European E1 emissions standards. Based on the consistent expansion of our refinement capacity in recent years, this segment's revenue share has increased and margins have improved throughout the product portfolio. We will continue to pursue this course in the future, alongside a planned investment in the Baltic.

We expect moderate revenue growth in 2018. The increase in the cost of raw materials and personnel expenses are expected to affect earnings and our goal is to mitigate these factors by increasing prices. We therefore expect satisfactory earnings performance, with earnings largely confirming our 2017 earnings power based on operating EBITDA.

I would like to take this opportunity to expressly thank our employees, whose hard work and commitment are the foundation of our success. I would also like to thank our customers, investors and partners for their trust and support.

Yours sincerely,

Fritz Homann
Managing Director of Homann Holzwerkstoffe GmbH

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2017

A. Presentation of the course of business

1. Business model

Homann Holzwerkstoffe is the parent company of the Homann Group, whose principal operating companies are HOMANIT GmbH & Co. KG, headquartered in Losheim/Germany, HOMANIT Polska Sp.z o.o. Spolka Kommandytowa, headquartered in Karlino/ Poland and Homanit Krosno Odranskie Sp.z. o.o., headquartered in Krosno/Poland.

The Group is a leading European supplier of thin finished wooden fibreboards for the furniture, doors, coatings and automobile industries. The product portfolio essentially comprises medium-density fibreboards (MDF) and high-density fibreboards (HDF), which are used for a wide variety of applications. The Group's customers primarily include companies from the furniture, doors and coatings industries. Special solutions, e.g. for automotive interiors, packagings or product boxes, increasingly target additional customer groups, leading to broad diversification in terms of customer structures and consequently reducing the Group's exposure to cyclical developments in individual lines of industry. The international furniture industry nevertheless remained the most important customer group in the past fiscal year.

The Homann Group's integrated business model covers all relevant stages of the value chain. All processes – from the provision of raw materials such as wood, glue and electricity to the ongoing new and further development in the context of the research and development activities to the multi-stage panel production, finishing and customisation of the products and their distribution – are handled by the production facilities in Germany and Poland. This gives the Group full control over all process steps, allowing it to efficiently ensure the high quality of its products towards its customers at all times. At the same time, flexible adjustment to individual customer requirements and short-term market changes is possible at any time. The strategic focus on innovative and efficient production processes, combined with high quality standards, is the main driver of the position held by the company in the market for very thin finished fibreboards measuring up to 3.0 mm. The Homanit Group is the European market leader in this segment.

2. Description of the business situation in 2017

Macroeconomic situation

Growth in the world economy began to accelerate at the start of 2017, and became even stronger in the subsequent quarters. Global GDP (gross domestic product) growth was 3.3 % in 2017. The GDP growth rate was 2.4 % in both the euro zone and the EU, according to the data of the European Commission. The upswing which the German economy has been experiencing since 2013 also accelerated noticeably in 2017.

Industry trend

Despite the strong macroeconomic conditions, the German furniture industry's growth in the previous year did not carry over into 2017. After reporting 3.2 % revenue growth in 2016, German manufacturers saw their revenues fall by 0.2 % in 2017, as revenues were down slightly from the year before. This decrease is solely attributable to the slight weakening in domestic demand, while foreign business once again made a positive contribution to industry performance. Domestic revenues for the German furniture industry were down slightly in the first nine months of 2017, by 0.7 %, while foreign revenues were up 1 % over the same period.

Recent performance in foreign markets has been substantially stronger, as nearly all major non-European markets posted strong gains in 2017. Furniture exports to China alone were up over 20 % from January to September 2017 over the year before. Within the EU, stabilisation was observed at least in big markets such as France and the Netherlands.

(Source: möbelkultur: Gute Auslandsnachfrage stützt heimische Möbelindustrie; 10.01.2018.)

The competitive situation for the production of MDF and HDF fibreboards remained largely unchanged in the reporting year relative to the year before. A healthy competitive situation prevailed in the market segment for very thin and highly finished MDF and HDF fibreboards measuring up to 3 mm, which represents Homann Group's strategic focus. This market continues to have potential for further growth as a result of the continuing trend towards lightweight construction in the furniture and door industries.

B. Presentation of the situation

Earnings

Homann Holzwerkstoffe Group was expanded in 2017 with the addition of the newly formed Homanit Building Materials GmbH & Co. KG, headquartered in Berga, which became a wholly owned subsidiary of Homanit GmbH & Co. KG, headquartered in Losheim am See , as of March 1, 2017. This new company manufactures insulation materials and coreboards for doors.

Revenues

The higher revenue share of finished products and the inclusion of the new subsidiary as of March 1, 2017 resulted in an increase in outside revenues by 13.9 % over the year before. Domestic revenues were up 11.7 % while foreign revenues were up 14.6 %. The foreign revenue share was 78 %, as in the previous year. 2017 revenues were 3.5 % above forecasts, due above all to inclusion of the new subsidiary as of March 1, 2017 and the higher share of refined products.

Other operating income

Other operating income reflects exchange rate gains in the amount of EUR 9.6 million. In the previous year, this item showed EUR 4.9 million in exchange rate gains, as well as proceeds from land sales in the amount of EUR 3.6 million. The exchange rate gains were not included in the budget.

Cost of materials

Purchase prices for wood were about 5 % below estimates, on average for the year. Purchase prices for glue increased sharply in the reporting year due to an increase in methanol prices as a result of higher demand in China and the US. Moreover, it was too dry at the start of 2017, so that the most important supplier was unable to guarantee a full supply because river transport was restricted by the low water levels. As a result, the Group was temporarily compelled to purchase from other suppliers on less advantageous terms, and the result was that glue purchase prices were up 20 % from the year before and 10 % over budget. This price increase was passed on to customer after a delay. The cost of surface finishing remained stable and in line with estimates. Electricity prices were up 6 % from the year before, and therefore in line with estimates.

Personnel expenses

The average number of employees in 2017 increased to 1,537. This increase was attributable in part to consolidation of the new subsidiary, which has 80 employees. In addition, new employees were hired in order to meet the higher demand for refined products. The personnel expense ratio increased to 15.0 % due to the new subsidiary and as a result of increases in wages and salaries (previous year: 14.2 %).

Other operating expenses

After adjusting for exchange rate losses in the amount of EUR 3.8 million and the expenditures in connection with Homanit Building Materials, other operating expenses were in line with estimates. Exchange rate losses in the previous year amounted to EUR 9.5 million. They were not included in the budget.

EBITDA

Adjusted for exchange rate gains and losses, losses in connection with the new subsidiary in the amount of about EUR 2.0 million and the one-off cost of refinancing measures in 2017, in the amount of EUR 2.2 million, EBITDA came to EUR 34.2 million in 2017. Without these adjustments, EBITDA amounted to EUR 37.7 million. Overall, this is a satisfactory result.

Financial result

The costs of the offer of replacing the old bonds with the new bonds caused interest expenses to increase by EUR 0.8 million, which was not included in the budget, to EUR 11.7 million.

Consolidated net income

2017 net income was EUR 9.1 million, compared to an forecast of 11.7 million. Aside from operational effects, this result was largely attributable to the one-off cost of refinancing measures in 2017 and the start-up losses posted by the new subsidiary, both of which were not included in the budget in this amount.

Investments

Investments were made in Financial Year 2017 in new facilities, measures to improve infrastructure and product quality, intra-company shipping and additional finishing equipment. Additions in fixed assets came to a total of EUR 9.2 million.

Securities/cash on hand

The slight increase in securities is related to the Group's bond issue.

Cash on hand increased by EUR 20 million as a result of the financing measures which were taken over the course of the year.

Equity

Equity increased as a result of earnings, as well as an increase in exchange differences from the translation of balance sheet items in connection with the Polish plants, which were reported under Group reserves. The equity ratio amounted to 13.1 %. Adjusted for exchange differences and taking the silent partnership into account, which runs through 2022, the equity ratio stands at 17.3 %.

Liabilities

The bond maturing in December 2017 was redeemed full through borrowings, as well as a new bond issue with a volume of EUR 60 million.

Financial position

The HHW Group's operating cash flow (consolidated result plus depreciation) increased from kEUR 21,398 in the previous year to kEUR 25,987. Net cash used in investing activities amounted to kEUR 10,331. Financing activities resulted in a cash inflow of kEUR 12,818, which comprised the proceeds from new loan agreements (kEUR 75,000) less loan repayments (kEUR 10,478) and changes in the corporate bond issue (kEUR 40,000), as well as interest payments on the loans and tax payments. As of December 31, 2017, the Group's cash and cash equivalents and free securities totalled kEUR 25,819. According to DRS 21 for the presentation of the cash flow statement, short-term liabilities to financial institutions in the amount of kEUR 24,113 have to be deducted from these funds.

C. Forecast

1. Future development

Macroeconomic situation

With the world economy growing at a rate of 3.3 % in 2017, higher than in the past five years, the German Council of Economic Experts expects to see strong growth once again in 2018, with global GDP to grow at a pace of 3.4 %. The euro zone countries are expected to grow at a rate of 2.3 %, which is also the estimate for Germany. Stronger growth is expected to in Central and Eastern Europe, for a rate of 4.0 %. The United States is expected to grow at a rate of 2.7 % and a growth rate of 5.0 % is expected for Asia. The Council expects this economic growth to be accompanied by an increase in global consumer prices by 2.7 % in 2018, although this increase is expected to be weaker in the euro zone, at just 1.5 %.

Industry trend

The German furniture industry remained stagnant in 2017 with a high level of sales, as the increase in exports offset the decrease in domestic sales. Global furniture demand is expected to grow further in 2018 and in the next 2 years. The furniture industry is a major consumer of MDF/HDF fibreboards. The same is true of the door industry, which is also expected to grow thanks to the continuing strength of the construction sector. Based on industry data, the positive trend in HDF/MDF fibreboards which was observed last year has carried over into the start of 2018.

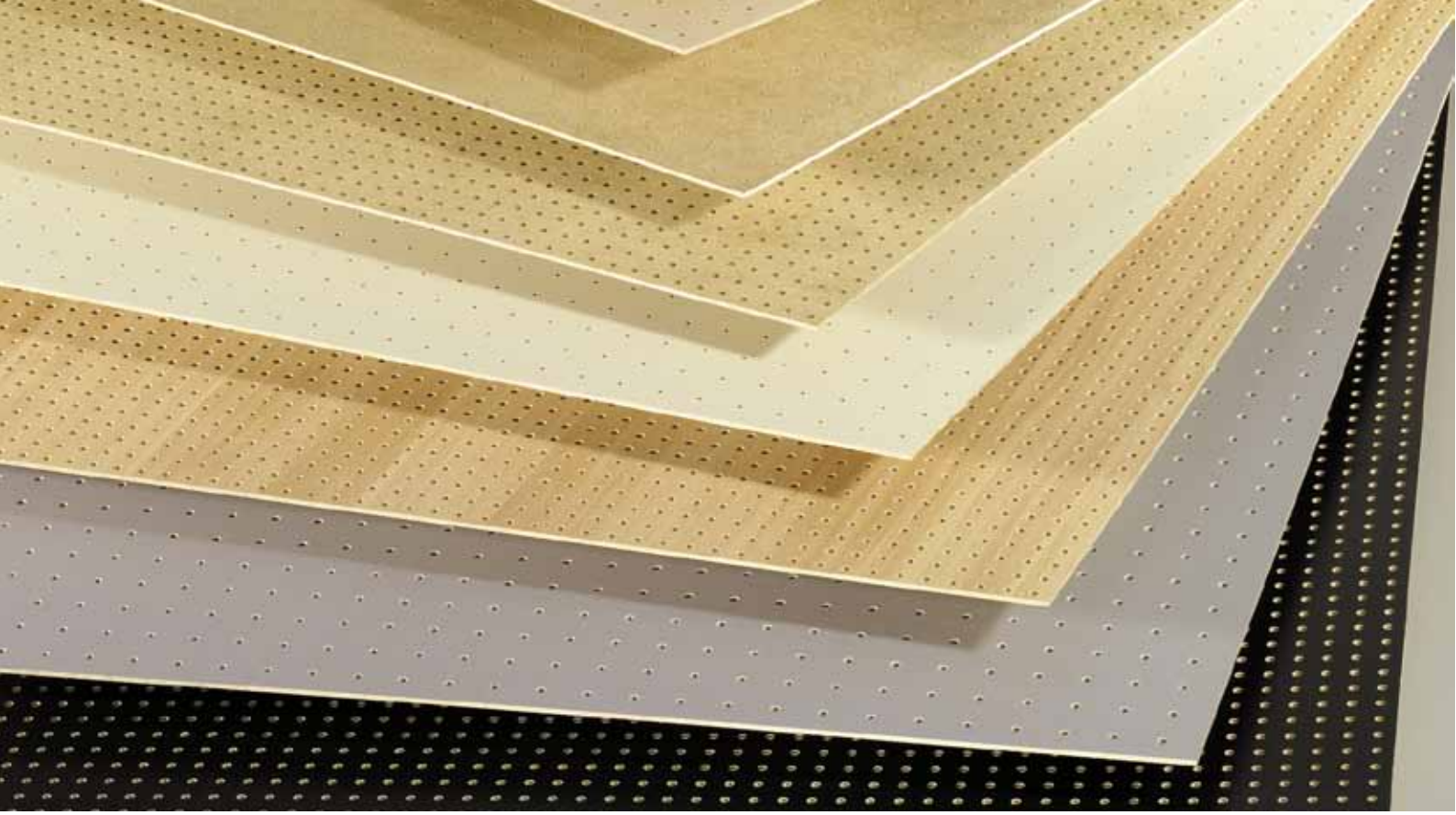
Business situation of the Group in 2018

All of the Group's plants for MDF/HDF fibreboards exhibited strong performance in 2017. The market for thin fibreboards in the core countries supplied by the Group remains stable. On this basis, the Group expects moderate revenue growth in 2018, in the single-digit range. 2018 earnings are expected to be affected by the increase in personnel expenses and the cost of raw materials, which will be countered through price increases. As a result, the Group expects satisfactory earnings with no material changes in EBITDA relatives to the year before, after adjusting for exchange rate gains and losses and extraordinary effects.

In light of the growth in demand, the Group is exploring options to extend capacity. This can be accomplished by acquiring an existing plant or by investing in a new plant.

2. Future opportunities and risks

The estimates of market trends and necessary production capacity ae based on the assumption that the macroeconomic situation will not deteriorate. While many experts expect the tax reform in the US and the ECB's continuing low-interest policies to have a positive impact on economic growth, there are also increasing risks in connection with trade restrictions due both to customs and the imposition of economic sanctions against individual countries and companies. The performance of the construction sector is also of decisive importance for the furniture and door industries. An increase in euro zone interest rates could have the effect of inhibiting growth in these industries.



Accordingly, the Group's material opportunities and risks are as follows:

Opportunities:

The Group is largely focused on the manufacture of thin MDF/HDF fibreboards. This strategy has proven itself in the past and the Group will continue to pursue it.

Opportunities for the Group arise particularly from the continuing strength of the economy, resulting in growing demand for the company's products. The Group will be able to benefit from this economic growth because necessary investments in production capacity, including finishing capacity, have been made in a timely manner.

Risks:

Sales and revenue risks exist above all in connection with a possible worsening in general economic performance, resulting in a possible decrease in demand, and from competition with other manufacturers, which could result in price drops or market share losses in the future. Risks also exist in connection with the loss of key accounts. Based on our contractual relationships, we do not currently expect to lose any key accounts.

Earnings risks to the Group exist in connection with the possibility of increases in costs. In the sphere of energy policy, we expect the existing rules and subsidies for energy-intensive companies (the renewable energy levy) to remain in effect. If these subsidies are cancelled, costs would rise accordingly.

In the sphere of raw materials, fluctuations in the price of wood and other materials, such as glue, could result in higher costs. While the Group intends to pass on such price increases to customers, such increases may affect earnings at least temporarily, particularly if prices go up at short notice. Moreover, the Group's ability to increase prices will be affected by the competitive situation.

With regard to personnel, the Group has long-term relationships with qualified employees. Risks may arise if the Group is unable to find qualified employees to replace departing specialists or to fill newly created posts, or if costs increase due to the shortage of skilled workers. As a result, automation is expected to have a major impact in the future.

Risks also exists with respect to the earnings situation in connection with the new subsidiary, for which start-up losses were incurred in 2017. If not reduced, these losses may weigh down the Group's earnings in 2018 as well.

Financing risks exist in due to the possibility that the Group will be unable to meet financial covenants in the future, or that it will be unable to renew its credit lines upon expiration.

Moreover, the Polish sites at Karlino and Krosno are exposed to market risk due to the possibility of changes in exchange rates.

3. Outlook and strategic plans for the coming years

All of the Group's plants for MDF/HDF fibreboards displayed strong performance in 2017. The market for thin fibreboards continues to be stable in the core countries supplied by the Group. On this basis, the Group expects moderate revenue growth in 2018. The Group expects 2018 earnings to be affected by an increase in personnel expenses and the cost of raw materials, which are to be countered with price increases. Accordingly, the Group expects satisfactory earnings and no material changes relative to the year before.

Herzberg, March 28, 2018

Fritz Homann

Homann Holzwerkstoffe GmbH
Herzberg am Harz

Notes to the consolidated financial statements
for the period from January 1, 2017 to December 31, 2017

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2017

Homann Holzwerkstoffe GmbH, Herzberg

ASSETS

	Item Comment	EUR	Dec. 31, 2017 EUR	Dec. 31, 2016 EUR
A. Fixed assets				
I. Intangible assets	6.a.			
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets		3,385,185.50		4,063,587.97
2. Advance payments made		57,561.52		14,719.77
			3,442,747.02	4,078,307.74
II. Tangible assets	6.a.			
1. Properties, rights equivalent to real property and structures including structures on third-party properties		43,988,144.77		43,841,228.83
2. Technical equipment and machinery		115,637,662.22		113,523,557.09
3. Other property, plant and equipment		6,701,272.44		6,372,255.12
4. Advance payments made and work in progress		3,884,371.62		2,934,467.94
			170,211,451.05	166,671,508.98
III. Financial assets	6.b.			
1. Shares in affiliated companies		11,988.82		36,301.99
2. Equity investments		782,324.50		782,324.50
			794,313.32	818,626.49
			174,448,511.39	171,568,443.21
B. Current assets				
I. Inventories				
1. Raw materials and supplies		19,489,920.49		15,290,561.06
2. Unfinished goods		4,870,802.44		2,273,703.67
3. Finished goods		8,415,683.42		7,700,965.24
4. Advance payments made		166,890.01		72,503.22
			32,943,296.36	25,337,733.19
II. Receivables and other assets	6.c.			
1. Trade receivables		1,999,031.22		1,455,639.49
2. Receivables from affiliated companies		88,692.63		136,641.16
3. Receivables from shareholders		16,215,993.79		13,393,634.96
4. Other assets		15,683,184.99		14,766,566.58
			33,986,902.63	29,752,482.19
III. Other securities	6.d.		1,174,493.03	908,723.19
IV. Cash holdings, bank deposits and cheques			25,558,492.55	5,055,757.64
			93,663,184.57	61,054,696.21
C. Accrued items	6.c.		1,581,929.70	2,183,907.76
D. Deferred tax assets	6.e.		1,529,200.00	2,198,890.00
E. Assets arising from the overfunding of pension obligations	6.f.		335,422.05	0.00
			271,558,247.71	237,005,937.18

LIABILITIES

	Item Comment	EUR	Dec. 31, 2017 EUR	Dec. 31, 2016 EUR
A. Equity capital	6.g.			
I. Subscribed capital		25,000,000.00		25,000,000.00
II. Capital reserves		25,564.60		25,564.60
III. Other retained earnings		21,839.00		21,839.00
IV. Group reserves		–7,203,199.54		–10,037,131.03
V. Consolidated unappropriated retained earnings		8,801,333.40		5,286,456.40
VI. Group earnings after taxes/consolidated net profit		9,111,886.81		6,286,456.40
VII. Appropriation of profits factored in balance sheet		0.00		–2,750,000.00
			35,757,424.27	23,811,605.97
B. Provisions	6.h.			
1. Provisions for pensions and similar obligations		2,067,826.00		1,813,197.00
2. Provisions for taxes		1,000,654.19		1,664,372.32
3. Other provisions		3,880,166.00		2,848,652.26
			6,948,646.19	6,326,221.58
C. Liabilities	6.i.			
1. Bonds		60,000,000.00		100,000,000.00
2. Silent partnership		4,000,000.00		4,000,000.00
3. Liabilities to financial institutions		123,403,586.51		67,911,516.30
4. Trade payables		29,472,297.00		26,117,535.01
5. Liabilities to affiliated companies		18,062.70		16,550.22
6. Other liabilities		11,958,231.04		8,822,508.10
			228,852,177.25	206,868,109.63
			271,558,247.71	237,005,937.18

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2017 to December 31, 2017

	Item Comment	Jan. 1 - Dec. 31, 2017 EUR	Jan. 1 - Dec. 31, 2016 EUR
1.Revenues	7.a	256,881,728.36	225,461,310.61
2.Increase/reduction in inventory of finished and unfinished goods		2,255,304.96	–228,141.61
3.Other own work capitalised		1,709,000.75	1,506,833.79
4.Other operating income	7.b	11,052,677.12	8,847,410.40
		271,898,711.19	**235,587,413.19**
5.Cost of materials			
a) Cost of raw materials and consumables and goods for resale		–132,787,423.04	–113,086,156.58
b) Cost of purchased services		–17,707,669.91	–16,456,642.95
		–150,495,092.95	–129,542,799.53
Gross profit or loss		**121,403,618.24**	**106,044,613.66**
6.Expenses for personnel	7.c		
a) Wages and salaries		–32,631,306.14	–26,673,918.83
b) Social security, pensions and other benefits		–6,394,739.96	–5,567,076.18
		–39,026,046.10	–32,240,995.01
7.Depreciation and amortisation of intangible and tangible fixed assets		–16,875,106.52	–15,111,732.76
8.Other operating expenses	7.d	–44,660,008.65	–42,418,562.89
Operating result		**20,842,456.97**	**16,273,323.00**
9.Income from investments		0.00	110,419.50
10.Income from investments and loans classified as financial assets		0.00	80,000.00
11.Other interest and similar income		1,077,030.99	1,168,715.41
12.Write-down of financial investments and investments classified as current assets		–26,071.62	–20,652.93
13.Interest and similar expenditure		–11,749,440.64	–9,993,158.50
Financial result	7.e	**–10,698,481.27**	**–8,654,676.52**
14.Income taxes	7.f	–1,032,088.89	–1,332,190.08
15.Earnings after taxes/consolidated net income		**9,111,886.81**	**6,286,456.40**

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2017 to December 31, 2017

		2017 kEUR	2016 kEUR
	Consolidated result	9,112	6,286
+/–	Depreciation of assets	16,875	15,112
–/+	Other non-cash expenses/income	–4,947	–1
–/+	Profit/loss from the disposal of fixed assets	–156	–3,582
–/+	Increase/decrease in inventories	–7,605	2,138
–/+	Increase/decrease in trade receivables	–543	–703
–/+	Increase/decrease in receivables from shareholders and affiliated companies	–2,775	3,481
–/+	Increase/decrease in other assets	–118	–5,567
+/–	Increase/decrease in provisions	623	–19
+/–	Increase/decrease in trade payables	3,354	3,177
+/–	Increase/decrease in liabilities to shareholders and affiliated companies	2	–15
+/–	Increase/decrease in other liabilities	3,136	–91
+/–	Interest expenses/interest income	10,672	8,824
+/–	Currency-related change in assets/liabilities	–1,486	4,760
+/–	Income tax expenses/income	1,032	0
=	**Cash flow from operating activities**	**27,176**	**33,800**
+	Proceeds from the disposal of tangible assets/intangible assets	453	6,866
–	Cash paid for investments in tangible assets/intangible assets	–9,194	–21,336
–	Cash paid for additions to the basis for consolidation	–1,590	0
=	**Cash flow from investing activities**	**–10,331**	**–14,470**
+	Cash received from raising borrowings	75,000	2,930
–	Cash paid for the redemption of borrowings	–10,478	–6,476
–	Cash paid for follow-up financing of the bond	–40,000	0
–	Cash paid for the redemption of the silent partnership	0	–1,250
–	Distribution of profits/payouts to shareholders	0	–2,750
–	Interest paid	–10,672	–8,824
–	Corporate income and trade tax paid	–1,032	0
=	**Cash in/outflow from financing activities**	**12,818**	**–16,370**
	Change in cash and cash equivalents	29,663	2,960
+	Cash and cash equivalents at the beginning of the period	–27,957	–30,917
=	**Cash and cash equivalents at the end of the period**	**1,706**	**–27,957**

Composition of cash and cash equivalents	Dec. 31, 2017 kEUR	Dec. 31, 2016 kEUR
Cash	25,559	5,056
Securities	260	131
Liabilities to banks agreed at short notice	–24,113	–33,144
	1,706	**–27,957**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2017 to December 31, 2017

	Majority shareholder					
	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Group reserves (adjustment item from foreign currency translation) EUR	Consolidated unappropriated retained earnings (Group equity capital generated) EUR	Equity capital EUR
January 1, 2016	25,000,000	25,565	21,839	–9,156,373	5,264,877	21,155,908
Cash payments made to partners	0	0	0	0	–2,750,000	–2,750,000
Exchange differences	0	0	0	–880,758	0	–880,758
Group result for the year	0	0	0	0	6,286,456	6,286,456
December 31, 2016/ January 1, 2017	25,000,000	25,565	21,839	–10,037,131	8,801,333	23,811,606
Exchange differences	0	0	0	2,833,931	0	2,833,931
Group result for the year	0	0	0	0	9,111,887	9,111,887
December 31, 2017	25,000,000	25,565	21,839	–7,203,200	17,913,220	35,757,424

Homann Holzwerkstoffe GmbH
Herzberg am Harz

Explanatory notes to the consolidated financial statements
for the period from January 1, 2017 to December 31, 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) for the year ended December 31, 2017 were drawn up in accordance with the requirements of the German Commercial Code (HGB). The financial statements of consolidated companies were generally prepared in accordance with the requirements of the respective countries. For the purposes of the consolidated financial statements, the separate financial statements were converted pursuant to sections 300, para. 2, and 308 HGB to 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).

HHW is registered in the Commercial Register of the Göttingen local court under HRB 200679.

2. Basis of consolidation

Aside from Homann Holzwerkstoffe GmbH , the following ten subsidiaries were included in the consolidated financial statements as of December 31, 2017 as fully consolidated companies:

No.	Company	Equity share	Held by	Equity Dec. 31, 2017	Net profit/loss 2017
		%	No.	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Herzberg			17,262	–7,763
2	Homanit Holding GmbH, Losheim	100.00	1	71,121	74
3	Homanit GmbH & Co. KG, Losheim	100.00	2	37,509	6,055
4	Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	34	1
5	Homanit France SARL, Schiltigheim	100.00	3	23	1
6	Homanit Polska Sp. z o.o., Spolka	99.99	3		
	Kommandytowa, Karlino	0.01	7	68,522	15,896
7	Homanit Polska Sp. z o.o., Karlino	100.00	3	594	125
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,300	15
9	Homanit Krosno Odranskie Sp.z o.o., Krosno	100.00	2	–2,566	3,408
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	238	28
11	Homanit Building Materials GmbH & Co. KG, Berga	100.00	3	–853	–2,353

3. Consolidation principles

Homanit Building Materials GmbH was first included in the consolidated financial statements as of March 1, 2017. No goodwill exists. Comparability with figures from the previous year is limited. Not including HBM, the Group had revenues of kEUR 249,822, cost of materials of kEUR 125,836, personnel expenses of kEUR 33,573 and other operating income/expenses of kEUR 40,435.

Net income would have been kEUR 2,353 higher without Homanit Building Materials GmbH.

Capital consolidation is performed by offsetting the carrying amount of investments in Group companies against the proportionate balance sheet equity at the time of initial inclusion (carrying value method). The 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 consolidated financial statements for the first time after December 31, 2009.

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 December 31, while income statements are generally translated at the average rate for the financial year. 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 od 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 recognized 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. Intangible assets are typically depreciated based on a useful life of 2-8 years.

Tangible fixed 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, including debt interest accruing during the construction period. 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. The useful life of land, leasehold rights and buildings, including building on unowned land, is 10-100 years, the useful life of technical equipment and machinery is 2-100 years, and the useful life of fixtures, fittings and equipment is 2-15 years.

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 strict lower of cost or market principle.

Finished and **unfinished goods** are measured at the cost of manufacture according to the strict lower or cost of 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 time of acquisition using the exchange rate in effect on the transaction date. On the balance sheet date, foreign-currency receivables are measured using the spot exchange rate on that date, with due regard for the realisation and cost principles.

Investments classified as current assets are recognized at 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.

Liquid funds are stated at the nominal value. Funds in foreign currencies are translated at the spot exchange rate as of the reporting date in accordance with section 256a HGB.

Special rental payments and advance payments of costs that concern the months after December 31 are recognised in **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 recognition of the **assets arising from the overfunding of pension obligations**, 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.

Other provisions take into account all discernible risks and contingent liabilities pursuant to section 253, para. 1, sentence 2 HGB and are recognized in the amount necessary for settlement based on reasonable commercial assessment, with due regard for the expected future changes in prices and costs. Provisions with a term of more than one year are discounted at the average market interest rate over 15 years. Provisions with residual terms of more than one year are discounted using the average market interest rate specified by Deutsche Bundesbank for the same maturity. **Anniversary provisions** and **early retirement provisions** are calculated using actuarial methods based on the "2005 G" tables of Dr. Klaus Heubeck, applying an actuarial interest rate of 2.80 %.

Liabilities are recognised at the repayment amount. Liabilities in foreign currencies are translated at the exchange rate on the day of acquisition; as of the reporting date, foreign currency liabilities are measured at the spot exchange rate in accordance with the realisation, imparity and acquisition cost principle if the remaining term exceeds one year.

6. Notes to the Consolidated Balance Sheet

a) Fixed assets

Changes in consolidated fixed assets:

	Cost of purchase/manufacture						
	Date Jan. 1, 2017 EUR	Re-classifications EUR	Additions EUR	Change in consolidation basis EUR	Disposals EUR	Foreign exchange differences EUR	Date Dec. 31, 2017 EUR
I. Intangible assets							
1. Concessions acquired against payment, commercial trade-mark rights and similar rights and assets as well as licenses to such rights and assets	5,942,427.69	0.00	310,634.14	840.13	0.00	28,191.67	6,282,093.63
2. Advance payments made	14,719.77	0.00	42,841.75	0.00	0.00	0.00	57,561.52
	5,957,147.46	0.00	353,475.89	840.13	0.00	28,191.67	6,339,655.15
II. Tangible fixed assets							
1. Properties, rights equivalent to real property and structures including structures on third-party properties	69,834,634.60	61,612.21	374,218.73	60,201.31	–6,411.69	2,849,730.51	73,173,985.67
2. Technical equipment and machinery	176,376,131.25	1,222,601.77	4,671,790.51	1,463,116.34	–282,722.47	9,329,191.42	192,780,108.82
3. Other property, plant and equipment	15,056,929.71	43,466.21	1,665,772.45	66,231.09	–571,529.28	502,115.67	16,762,985.85
4. Advance payments made and work in progress	2,934,467.94	–1,327,680.19	2,128,461.19	0.00	–0.01	149,122.69	3,884,371.62
	264,202,163.49	0.00	8,840,242.88	1,589,548.74	–860,663.45	12,830,160.29	286,601,451.95
III. Financial assets							
1. Shares in affiliated companies	36,301.99	0.00	0.00	0.00	–25,000.00	686.83	11,988.82
2. Equity investments	782,324.50	0.00	0.00	0.00	0.00	0.00	782,324.50
	818,626,49	0.00	0.00	0.00	–25,000.00	686.83	794,313.32
	270,977,937.44	0.00	9,193,718.77	1,590,388.87	–885,663.45	12,859,038.79	293,735,420.42

Depreciation/impairments					Book value	
Date Jan. 1, 2017 EUR	Additions EUR	Disposals EUR	Foreign exchange differences EUR	Date Dec. 31, 2017 EUR	Date Dec. 31, 2017 EUR	Date Dec. 31, 2016 EUR
1,878,839.72	1,005,600.05	0.00	12,468.36	2,896,908.13	3,385,185.50	4,063,587.97
0.00	0.00	0.00	0.00	0.00	57,561.52	14,719.77
1,878,839.72	1,005,600.05	0.00	12,468.36	2,896,908.13	3,442,747.02	4,078,307.74
25,993,405.77	2,591,902.92	–5,136.46	605,668.67	29,185,840.90	43,988,144.77	43,841,228.83
62,852,574.16	11,637,243.75	–114,354.30	2,766,982.99	77,142,446.60	116,390,000.91	113,523,557.09
8,684,674.59	1,640,359.80	–469,627.71	206,306.73	10,061,713.41	6,701,272.44	6,372,255.12
0.00	0.00	0.00	0.00	0.00	3,884,371.62	2,934,467.94
97,530,654.52	15,869,506.47	–589,118.47	3,578,958.39	116,390,000.91	170,211,451.05	166,671,508.98
0.00	0.00	0.00	0.00	0.00	11,988.82	36,301.99
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	794,313.32	818,626.49
99,409,494.24	16,875,106.52	–589,118.47	3,591,426.75	119,286,909.04	174,448,511.39	171,568,443.21

b) Financial assets

As of December 31, 2017, the shares in HBG Holz-Baustoff Beteiligungs-GmbH, Berga, and the shares in HOPE Investment sp.z.o.o. (formerly Homanit Poznan sp.z.o.o.) were recognised as **shares in affiliated companies**. These companies are not consolidated as they are of minor importance.

The **equity investments** relate 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 not consolidated as they are of minor importance.

c) Receivables, other assets, prepaid expenses

Residual terms of more than one year exist for receivables in the amount of kEUR 15,000, and other receivables in the amount kEUR 3,536 and deferred items in the amount of kEUR 425.

Receivables from shareholders involve the interest-bearing clearing accounts with VVS GmbH and Fritz Homann GmbH and mainly result from loans.

Receivables from affiliated companies are receivables from companies affiliated via the shareholders as well as from companies not included in the consolidated financial statements due to their minor importance.

Significant items recognised in **other assets** include an investment in a limited partnership (kEUR 3,514; previous year: kEUR 3,514), tax refund claims amounting to kEUR 6,555 (previous year: kEUR 6,915) as well as receivables from factoring companies amounting to kEUR 3,035 (previous year: kEUR 12,795).

Deferred items primarily include the prepaid expenses from rental and leasing payments of kEUR 554 (previous year: kEUR 837) as well as insurance contributions for the time after December 31, 2017. Receivables, other assets and prepaid expenses in the amount of kEUR 18,961 (previous year: kEUR 14,000) have a remaining term of more than one year.

d) Other securities

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

	Dec. 31, 2017 kEUR	Dec. 31, 2016 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	915	778
Other fund shares	260	131
	1,175	909

e) Deferred tax assets

Deferred tax assets result from different values recognised in the commercial balance sheet and the tax balance sheet in the amount of kEUR 124 (previous year: kEUR 200), from losses carried forward in the amount of kEUR 1,566 (previous year: kEUR 2,091) sand from the elimination of interim profits (sale of fixed assets and inventories) in the amount of kEUR 165 (previous year: kEUR 192). Deferred tax liabilities of kEUR 326 (previous year: kEUR 284) result from different values recognised in the commercial balance sheet and the tax balance sheet. Deferred tax liabilities were netted out with deferred tax assets. In calculating deferred tax assets, tax loss carry-forwards are only taken into account to the extent that estimated future income would allow the deduction of those losses. For the calculation of deferred taxes, a tax rate consistent with the entity's legal form was applied to the differences between the commercial and tax balance sheet, as well as to tax loss carry-forwards. Tax rates of between 14 % and 26.5 % were used. The parent company’s tax rate of 26.3 % was used for consolidation.

f) Assets arising from the overfunding of pension obligations

The liabilities in connection with early retirement agreements are backed by securities. These securities were netted out with the underlying liabilities. The provision for early retirement liabilities amounts to kEUR 1,089 and the plan assets amount to kEUR 1,424, leaving a net surplus of kEUR 335.

g) Equity

Subscribed capital, reserves and consolidated unappropriated retained earnings are recognised as **equity**. Pursuant to commercial register entries, the following shareholder relationships existed as of December 31, 2017:

	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:

	Dec. 31, 2017 TEUR	Dec. 31, 2016 TEUR
Exchange differences	–7,285	–10,119
Negative goodwill arising from capital consolidation	82	82
	–7,203	–10,037

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.

Earnings cannot be distributed by the parent company until after net losses have been eliminated. Sums in the amount of kEUR 334 cannot be distributed pursuant to section 253 para. 6 sentence 1 HGB and due to first-time application of the German Accounting Modernisation Act (BilMoG). The distribution of dividends in excess of taxes owed is restricted by individual agreement.

h) Provisions

The projected unit credit method was applied as the actuarial calculation method for the subsidiaries, while the modified entry age normal method was used for the parent company based on the “2005 G “tables of Prof. Klaus Heubeck. The calculation was based on the following assumptions:

	Dec. 31, 2017 TEUR
Interest rate at the beginning of the fiscal year	4.01 %
Interest rate at the end of the fiscal year	3.68 %
Anticipated wage and salary increases p.a.	0.00 %
Expected pension increases p.a.	1.50 %
Staff turnover p.a.	3.30 %

As of December 31, 2017, an amount of kEUR 47 from the first-time adoption of the German BilMoG Act had not yet been recognised in pension provisions. This resulted in a difference within the meaning of section 253 para. 6 sentence 1 HGB of kEUR 287 i.e. the pension obligation would have to be increased by this amount if the average interest rate of the past seven years (2.80 %) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2017 as well as from previous years primarily as a result of tax audits.

Other provisions primarily involve obligations to employees (e.g. vacations, profit shares, over time, contributions to professional associations), warranty and bonus obligations to customers and imminent losses from pending transactions and contingent liabilities.

The liabilities resulting from domestic **early retirement arrangements** are backed by securities. These securities are offset against the underlying liabilities in accordance with section 246 para. 2 sentence 2 HGB. For recognition in the balance sheet, the liabilities in connection with early retirement arrangements, in the amount of kEUR 1,089, were netted out with plan assets at fair value, in the amount of kEUR 1,424 (cf. f). This resulted in a net **difference** of kEUR 335, which was recognised on the assets side of the balance sheet.

Securities are measured based on the strict lower of cost or market principle; securities which are not netted out (kEUR 260; previous year: kEUR 130) are freely marketable and no longer serve as hedges against claims in connection with early retirement liabilities. Correspondingly, interest earned on securities serving to hedge early retirement claims are netted out with interest expenses from the compounding of early retirement provisions. Since the securities had not been measured by the time the consolidated financial statements were prepared, it was not possible to net out interest income with interest expenses.

i) Liabilities

Liabilities have the following maturity structure:

Dec. 31, 2017	up to 1 year	1 to 5 years	more than 5 years	total
1. Bonds	0.00	60,000,000.00	0.00	60,000,000.00
2. Silent partnership	0.00	4,000,000.00	0.00	4,000,000.00
3. Liabilities to financial institutions	41,114,829.90	58,241,740.37	24,047,016.24	123,403,586.51
4. Trade liabilities	29,472,297.00	0.00	0.00	29,472,297.00
5. Liabilities to affiliated companies	18,062.70	0.00	0.00	18,062.70
6. Other liabilities	8,331,866.95	3,626,364.09	0.00	11,958,231.04
	78,937,056.55	125,868,104.46	24,047,016.24	228,852,177.25

Dec. 31, 2016	up to 1 year	1 to 5 years	more than 5 years	total
1. Bonds	100,000,000.00	0.00	0.00	100,000,000.00
2. Silent partnership	0.00	0.00	4,000,000.00	4,000,000.00
3. Liabilities to financial institutions	45,868,006.00	20,372,668.30	1,670,842.00	67,911,516.30
4. Trade liabilities	26,117,535.01	0.00	0.00	26,117,535.01
5. Liabilities to affiliated companies	16,550.22	0.00	0.00	16,550.22
6. Other liabilities	6,336,060.85	2,486,447.25	0.00	8,822,508.10
	178,338,152.08	22,859,115.55	5,670,842.00	206,868,109.63

The previous corporate bond issue (EUR 100 million) was refinanced in the 2017 financial year and repaid on December 14, 2017.

The new **bond issue** includes 60,000 units of EUR 1,000.00 each. The interest rate is 5.25 % p.a. Interest is payable on June 14 of each year, beginning on June 14, 2018. It was placed on the Frankfurt/Main stock exchange with a five-year term, maturing on June 14, 2022. The bond is unsecured and unsubordinated. Interest was recognised on an accrual basis as of December 31, 2017.

The **silent partnership** relates to a Saarland-based bank and has a term until September 30, 2022. A non-profit-related compensation of 5.0 % is paid on kEUR 4,000, as well as an additional profit-related compensation of 2.0 % is paid.

Liabilities to financial institutions are secured by land charges (Grundschulden) on corporate properties and by security assignments relating to purchased machinery and inventories. Liens also exist to receivables and bank balances. Insurance claims arising from losses in connection with the relevant assets will be assigned. The remaining liabilities are unsecured.

Liabilities towards affiliated companies are trade liabilities.

Other liabilities essentially comprise liabilities from the financing of fixed asset items (lease purchase and leasing agreements) of kEUR 6,510 (previous year: kEUR 5,567) and wages outstanding in the amount of kEUR 1,509 (previous year: kEUR 1,185) as well as accrued interest under the bond issue in the amount of kEUR 1,715 (previous year: kEUR 311). Taxes accounted for kEUR 457 (previous year: kEUR 350) and social insurance contributions for kEUR 1,082 (previous year: kEUR 817).

7. Notes to the income statement

a) Revenues

The Group generates its **revenues** in the following markets:

	2017 kEUR	2016 kEUR
Germany	55,702	49,848
European Union	181,202	162,276
Rest	19,978	13,337
	256,882	225,461

b) Other operating income

The main item recognised in **other operating income** were exchange gains of kEUR 9,590 (previous year: kEUR 4,868). Of the exchange gains in the 2017 financial year, kEUR 3,028 were realized and kEUR 6,562 were not realised.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 39,026 (previous year: kEUR 32,241) include expenses for old-age provisions of kEUR 191 (previous year: kEUR 183). Social security contributions include expenses for allocations to pension provisions from the first-time adoption of the BilMOG Act in the amount of kEUR 7 (previous year: kEUR 7).

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

	2017	2016
Salaried workers	341	296
Hourly workers	1,196	1,116
Total	1,537	1,412

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 17,007 (previous year: kEUR 12,354), repair and maintenance costs as well as costs of performance in the amount of kEUR 7,070 (previous year: kEUR 7,054), administrative costs of kEUR 11,937 (previous year: kEUR 11,230) and realized exchange losses of kEUR 3,846.

In the previous year, there were unrealised exchange losses in the amount of kEUR 9,846. In addition, the expenses for other taxes in the amount of kEUR 1,110 (previous year kEUR 1,004), fees from the brokerage of a loan (kEUR 561; previous year kEUR 0) and the costs of purchase and sale of securities and from refinancing of the corporate bond (kEUR 1,690; previous year kEUR 132). The cost of refinancing as well as the fees for credit brokerage were one-time charges accornding to sec. 285 No. 31 HGB.

e) Financial result

Income from other securities and loans classified as financial assets as well as **interest income** result, among other things, from the settlement accounts with the shareholders of the silent partnership in an enterprise as well as from securities and deposits. Write-downs of financial investments refer to **write-downs of investments** classified as current assets in the amount of kEUR 26 (previous year: kEUR 21).

Interest expenses primarily include interest paid on the bond as well as interest on loans granted by the lending banks. The discounting of non-current provisions resulted in expenses of kEUR 207 (previous year: kEUR 204). In addition, the item according to sec. 285 No. 31 HGB include one-off costs of kEUR 817, paid to the creditors affected by the exchange offer of the refinanced corporate bond have made use of.

f) Income taxes

This item breaks down as follows:

	2017 kEUR	2016 kEUR
Deferred taxes on losses carried forward	–524	–693
Deferred taxes from consolidation	–26	187
Deferred taxes resulting from differences between the amounts recognised in the commercial balance sheet and amounts recognised in the tax balance sheet	–148	113
Polish income tax	–6	–163
Corporate income tax and trade tax from previous years	–242	3
Corporate income tax and trade tax in the financial year	–86	–779
	–1,032	–1,332

Deferred tax assets were recognised for losses carried forward only where corresponding income is projected to be generated.

8. Contingent liabilities and other financial obligations

No **contingent liabilities** existed as of December 31, 2017.

As of the balance sheet date, **other financial obligations** amounted to kEUR 11,390 (previous year: kEUR 13,086). These obligations involve rental and leasing agreements. There is also a liability from plant orders amounting to kEUR 4,394 (previous year: kEUR 4,289).

An underwriting agreement exists with two credit institutions, as an associated agreement concerning financial instruments for hedging against interest rate risks. The transaction is a micro-hedge. A negative market value of kEUR 641 existed as of December 31, 2017 for which no provision was to be formed since it is ultimately a fixed-interest exposure.

The changes in value in the hedged item and the hedging instrument for the interest rate risk completely cancel each other out over the term of the hedging transaction (August 17, 2024), since they are exposed to the same risk and are affected by the identical factors in the same way. Accordingly, the transaction is classified as an effective hedge.

9. Post-balance sheet events

No events of particular importance that had an extraordinary impact on the net assets, financial position and earnings situation occurred after the reporting date.

10. Other information

Group relationships

The parent company of Homann Holzwerkstoffe GmbH is Fritz Homann GmbH, Herzberg.
Fritz Homann GmbH is registered in the Commercial Register of the Göttingen local court under HRB 201914.

Appropriation of earnings

The net loss for the parent company is to be carried forward to new account.

Management

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. The non-disclosure clause pursuant to section 286 para. 4 HGB is applied.

Pension payments of kEUR 10 were made to the widow of a former Managing Director in the fiscal year. The pension provision established for this purpose amounts to kEUR 24.

Fees

The fee recognised as an expense in the financial year 2017 pursuant to section 314 para. 1 no. 9 HGB comprises audit services in the amount of kEUR 182 (previous year: kEUR 175), tax advice services in the amount of kEUR 40 (previous year: kEUR 164) as well as other services in the amount of kEUR 0 (previous year: kEUR 1).

Herzberg, March 28, 2018

Fritz Homann

AUDIT CERTIFICATE OF THE AUDITOR:

We have audited the consolidated financial statements drawn up by Homann Holzwerkstoffe GmbH, Herzberg, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows, consolidated notes and the Group management report for the financial year from January 1, 2017 to December 31, 2017. The preparation of the consolidated financial statements and the Group management report in accordance with the provisions of German commercial and company law and the supplementary provisions of the partnership agreement 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 conducted our audit of the consolidated financial statements pursuant to section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the generally accepted standards for auditing financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements, prepared in accordance with the German principles of proper accounting, and in the Group management report, are detected with reasonable certainty. Knowledge of the Group's business activities, economic and legal circumstances and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the consolidated financial statements and the Group management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the annual financial statements of the consolidated entities, of the determination of entities to be consolidated, of the accounting and consolidation principles applied and the principal estimates made by the legal representatives, as well as an appraisal of the overall view conveyed by the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Homann Holzwerkstoffe GmbH, Herzberg, for the financial year from January 1, 2017 to December 31, 2017 comply with prevailing legal requirements and the supplementary provisions of the partnership agreement and convey an accurate and fair view of the Group's net assets, financial position and results of operations in keeping with generally accepted accounting principles. Furthermore, the Group management report is in conformity with the consolidated financial statements, complies with prevailing legal requirements, provides an accurate description of the Group's overall position and accurately sets out the risks and opportunities inherent in future developments.

Viersen, March 28, 2018

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