HOMANN
HOLZWERKSTOFFE

Annual Report 2020
Homann Holzwerkstoffe GmbH

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Homann Holzwerkstoffe GmbH

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FOREWORD

Dear Reader,

The year 2020 was marked by a global pandemic, which had and is still having a far-reaching impact on the world economy, on supply chains and on employment situations. In this challenging environment, Homann Holzwerkstoffe has performed well. Thanks to our robust, crisis-resilient business model, we even achieved a record year.

Physical retail, which is the furniture industry's largest sales channel, suffered considerable losses as a result of the lockdowns. Online retail, on the other hand, is booming and the desire for a beautiful home as well as the trends towards working from home, home schooling and cooking at home have increased demand for new furniture and kitchens.

But we have not been entirely spared by the pandemic. The lockdown in April and May led to reduced production, temporary short-time work at our plants and revenue losses, which were largely offset in the course of the year, though. At EUR 262.8 million, our revenues in the financial year 2020 were thus down by about 4% on the previous year. But we were able to achieve a record result: at EUR 49.4 million, adjusted operating earnings before interest, taxes, depreciation and amortization were up by almost EUR 2.3 million on the previous year, which is the best result in our company's history.

Our thanks for this remarkable achievement go first and foremost to our employees, who have played a key role in getting Homann Holzwerkstoffe Group successfully through these difficult times. We are currently not experiencing any restrictions resulting from the renewed lockdown and our capacity utilization remains high.

As part of our growth strategy, we have reached important milestones for the construction of our fourth plant in the Lithuanian capital of Vilnius in the past few months. Last October, we acquired a 77-hectare industrial site, on which we plan to start building our new plant in summer 2021, with production scheduled to start in the second half of 2022. Lithuania is one of the most important locations for the furniture industry in Eastern Europe and also a very densely forested country. This gives us both geostrategic access to raw materials and proximity to our customers.

At the beginning of 2021, we further optimized our corporate financing by refinancing our existing bond early through the issue of our third corporate bond, which has a term until 2026. This enabled us to reduce our capital costs, improve our maturity profile and thus put our medium-term financing on a solid footing. The high conversion rate and the oversubscription of the offer reflected investors' strong interest in Homann Holzwerkstoffe and once again underlined the capital market's trust in our company.

We would like to thank you, dear investors, for the trust placed in us. We are happy that you will continue to support us on our successful path!

Munich, April 23, 2021

Fritz Homann Ernst Keider Helmut Scheel

GROUP MANAGEMENT REPORT 2020

A. Fundamentals of the Group

Group structure and business model

Homann Holzwerkstoffe Group specializes in the production and sale of thin, refined wooden fibreboards (HDF/MDF). The Group is one of the leading European suppliers and primarily serves the furniture and door industries. In organizational terms, the Group consists mainly of Homann Holzwerkstoffe GmbH as the parent company and three operating companies held by Homanit Holding GmbH. Homanit GmbH & Co. KG produces in Germany at the Losheim am See site, and the two Polish subsidiaries, Homanit Polska Sp. z o.o. i. K. and Homanit Krosno Odranskie Sp. z o.o., produce at the Karlino and Krosno locations, respectively.

The Group covers all relevant production steps from the manufacture of the raw board to the refined end product. This provides direct control over all process steps and thus guarantees high product quality. Continuous product development is driven forward in the context of the company's research and development activities. The clear focus on thin, refined HDF and MDF boards and their constant further development are the main factors for the Group's market leadership in Western and Eastern Europe.

The construction of Homann Holzwerkstoffe's fourth plant near the Lithuanian capital of Vilnius was initiated with the acquisition of the relevant industrial sites in October 2020. At the beginning of the financial year 2021, major components of the production facilities were ordered. With the required permits expected to be granted in the second half of 2021, construction is scheduled to begin with the aim of starting production in the third quarter of 2022.

B. Economic report

1. Economic environment

Macroeconomic situation

From a macroeconomic point of view, 2020 was an extremely challenging year. The coronavirus pandemic and the measures and restrictions imposed to contain it led to a severe global recession. The International Monetary Fund (IMF) projects economic growth, measured as a percentage change in gross domestic product, of -3.5% for 2020 (2019: +2.8%). This means that the global economy contracted for the first time since 2009. In the eurozone, GDP declined by 7.2% (2019: +1,3%).[1]

The industrialized countries were particularly affected in the reporting period, with economic output contracting by a total of 4.9% (2019: +1.6%). According to the IMF, the German economy also suffered from the coronavirus pandemic, as reflected in a 5.4% decline in GDP (2019: +0.6%). Lithuania, where the company's fourth plant is planned, proved to be comparatively robust during the crisis, with economic output down by 1.8% (2019: +3.9%).[1,2]

The emerging and developing economies contracted by 2.4% (2019: +3.6%). In Poland, where Homann Holzwerkstoffe has two production sites, the economy shrank by 3.4% (2019: +4.5%).[3]

Sector developments

The European furniture industry suffered losses in the financial year 2020, as the pandemic led to supply chain restrictions, raw material shortages, short-time work and the cancellation of numerous trade fairs. This resulted in declining production, reduced demand and thus also lower imports and exports. The European Furniture Industries Confederation (EFIC) expects a general decline in sales revenues of around 5.0% to 10.0% (2019: +2.2%). According to the EFIC, the office furniture segment contracted particularly strongly.[4]

In Germany, the furniture industry also experienced a difficult and especially volatile year due to the coronavirus. According to the Association of the German Furniture Industry (VDM), physical retail is the strongest sales channel of the manufacturing companies in the industry. The two lockdowns imposed in the spring of 2020 and at the end of the year therefore led to considerable losses. According to the VDM, total sales revenues in the German furniture industry fell to EUR 17.2 billion in 2020, which represents a decline by 3.7% (2019: -0.5%).[5]

Contracting by 1.6%, domestic revenues were much more stable than foreign sales, which fell by 7.9%.[5] Despite a 3.2% drop in imports, Poland remained Germany's most important country of origin for furniture.[6] According to the analysts from R&D Studio, the Polish furniture industry even managed to increase its sales revenue by 2.5% to EUR 11.3 billion last year in spite of the pandemic.[7] France remained the most important export market for German furniture, although exports to this market declined by 6.3%.[6]

[1] IMF: World Economic Outlook, January 2021
[2] IMF, October 2020: https://www.imf.org/en/Countries/LTU
[3] IMF: World Economic Outlook, Excel, January 2021
[4] European Furniture Industries Confederation: Annual Report 2020
[5] Association of the German Furniture Industry, press release dated February 17, 2021
[6] Association of the German Furniture Industry, press release dated January 20, 2021
[7] https://polandin.com/50285103/polish-furniture-industry-strengthened-by-covid19-pandemic

The different segments of the German furniture industry showed very diverse trends. According to the VDM, the fact that people focused more strongly on their own homes as a result of working from home, schooling at home and cooking at home led to a strong increase in order intake in the German home furniture (+14.1%) and kitchen furniture (+11.8%) segments between January and December 2020. With a 4.5% increase in sales revenues, the kitchen furniture segment performed best. Sales revenues of upholstered furniture grew by 1.9%. This contrasted with a 9.1% slump in sales of office and shop furniture. Other furniture, i.e. living room, dining room and bedroom furniture, declined by 7.0%.[5,6]

The market for MDF/HDF boards showed a mixed performance in the first three quarters of 2020. According to EUWID and based on data of the Federal Statistical Office, production of thin MDF boards grew by 3.8% to 191,051 m^3 in the first nine months of 2020. At -1.7% or 1,405,680 m^3, HDF boards destined for sale remained behind the previous year's value.[8]

2. Financial and non-financial performance indicators

Revenues and EBITDA are the Group's financial performance indicators. They reflect the success of the Group's business activities. In the financial year, Homann Holzwerkstoffe Group generated revenues of EUR 262.8 million (previous year: EUR 273.8 million). The Group reported EBITDA of EUR 44.2 million (previous year: EUR 47.6 million), while EBITDA adjusted for one-time effects from exchange rate fluctuations amounted to EUR 49.4 million (previous year: EUR 47.1 million). This corresponds to an EBITDA margin based on total output of 19.1% (previous year: 17.1%).

In the following, we present facts that are important for understanding the business trend and the situation of the Group as a whole. We have refrained from presenting non-financial performance indicators in accordance with section 315 para. 3 of the German Commercial Code (HGB) as they are of minor importance for the Group.

[5] Association of the German Furniture Industry, press release dated February 17, 2021
[6] Association of the German Furniture Industry, press release dated January 20, 2021
[8] EUWID, issue 01/2021, January 14, 2021

3. Business trend and situation

Earnings position

Revenues declined by 4.0% from EUR 273.8 million in the previous year to EUR 262.8 million in the financial year. This means that the revenue losses incurred in the first half of the year as a result of the coronavirus pandemic, especially in April and May, were partly offset. The sales volume was down by about 1.8%. While domestic revenues remained unchanged at EUR 62.5 million, foreign revenues declined by around 5.0%.

Other operating income in the amount of EUR 5.0 million mainly includes exchange gains of EUR 3.2 million (previous year: EUR 2.3 million) as well as income from the reversal of an asset purchase agreement of EUR 0.7 million.

Due in particular to low raw material costs for wood and glue, the cost of materials as a percentage of total output was reduced by 3.6 percentage points to 51.2% compared to the previous year. At the same time, the personnel expense ratio increased. During the temporary lockdown in the second quarter, the instrument of short-time work (and its equivalent in Poland) was used during certain phases at the three plants. Personnel expenses and social security contributions were reimbursed in the amount of EUR 1.5 million, leading to a corresponding reduction in personnel expenses. However, this reduction was lower than the decline in revenues. Consequently, the personnel expense ratio increased from 15.5% in the prior year period to 16.6%. At 1,515, the average number of employees was slightly higher than in the previous year (1,484).

Other operating expenses rose from EUR 39.6 million to EUR 43.8 million. Expenses from changes in exchange rates of EUR 8.4 million (previous year: EUR 1.8 million) had a major influence here; freight and sales cost savings of around EUR 2.0 million had the opposite effect.

Overall, reported EBITDA decreased from EUR 47.6 million in the previous year to EUR 44.2 million. The decline is due to unrealized exchange rate effects from currency translation, while operating EBITDA actually increased. The exchange rate effects resulted from the weakness of the Polish zloty against the euro during the financial year. The Group's operating activities are characterized by relatively balanced natural hedging, which is reflected in the fact that the realized exchange rate effects resulted in income of EUR 0.3 million. The non-operating exchange rate effects, which mainly result from currency translation, showed a relatively strong fluctuation of EUR 5.5 million on balance.

Adjusted for one-time effects from exchange rate fluctuations, operating EBITDA amounted to EUR 49.4 million, compared to EUR 47.1 million in the previous year. This means that, despite the challenging environment, both the previous year's operating result and the Group's plans were exceeded.

Interest expenses decreased from EUR 7.2 million to EUR 6.9 million, mainly due to the scheduled repayments made in the financial year.

Consolidated net income for the year totalled EUR 19.1 million (adjusted: EUR 24.3 million). In the Group management report for the financial year 2019, moderately lower sales revenues and EBITDA at the level of the financial year 2018 had been projected, which means that the forecast was essentially accurate. As in the previous year (EUR 22.0 million; adjusted: EUR 21.5 million), a very satisfactory result was thus achieved.

Assets position

Total assets increased noticeably by EUR 64.0 million from EUR 246.1 million in the previous year to EUR 310.1 million. Besides other effects, this is primarily attributable to new borrowings in the amount of EUR 65 million with a simultaneous increase in liquid funds.

In the financial year, investments in fixed assets in the amount of EUR 23.9 million (previous year: EUR 13.4 million) were made, primarily in new finishing aggregates, a new debarker and chopper as well as in the new production site in Lithuania. Taking into account additions and disposals, depreciation and exchange differences, fixed assets decreased by a total of EUR 3.6 million from EUR 162.6 million to EUR 159.0 million.

Inventories were reduced slightly to EUR 33.1 million (previous year: EUR 34.2 million). Receivables and other assets rose to EUR 18.9 million, mainly due to an increase in factoring receivables by EUR 16.1 million.

Equity increased further from EUR 45.1 million to EUR 57.9 million, in particular due to the consolidated net income generated and the simultaneous opposite effect from currency translation. Although equity increased noticeably in absolute terms, the equity ratio improved only slightly to 18.7% (previous year: 18.3%) as total assets also picked up.

While provisions rose slightly year-on-year from EUR 8.8 million to EUR 10.0 million, liabilities increased sharply from EUR 191.9 million to EUR 242.0 million. The surge in liabilities is mainly due to an increase in liabilities to financial institutions by EUR 51.8 million to EUR 147.6 million. New borrowings in the amount of EUR 65 million were offset by repayments of loans and leasing obligations as well as lower utilization of overdraft facilities. The existing credit lines of EUR 45.7 million were utilized in the amount of EUR 20.0 million.

Financial position

Cash flow from operating activities amounted to EUR 43.3 million in the financial year (previous year: EUR 40.9 million). This was offset by cash outflows from investing activities in the amount of EUR 23.5 million (previous year: EUR 12.3 million) and net cash inflows from financing activities of EUR 47.4 million (previous year: EUR 16.4 million (cash outflows)). Cash inflows from new borrowings of EUR 65.0 million were offset by repayments made as well as interest paid of EUR 17.2 million.

As of December 31, 2020, the company had liquid funds and free securities in the amount of EUR 91.7 million (previous year: EUR 30.1 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 20.0 million (previous year: EUR 26.0 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 71.7 million (previous year: EUR 4.1 million).

Overall, management considers the assets, financial and earnings position to be stable.

C. Report on expected developments, opportunities and risks

1. Expected developments

Macroeconomic developments

New infection waves, virus mutations and challenges in providing sufficient vaccine for all population groups mean that the coronavirus continues to affect the economy in 2021. On the other hand, economic activities have increasingly adapted to the reduced contact intensity and vaccine production has been further ramped up. Overall, the IMF expects the world economy to recover strongly in the current financial year and forecasts global growth of 5.5%.[1]

For the industrialized countries, the experts expect a recovery of 4.3%, while the emerging and developing countries are to grow by 6.3% according to the IMF. An economic growth rate of 4.2% is forecast for the eurozone. For Germany, the IMF expects a GDP increase of 3.5% in 2021. In Lithuania and Poland, economic output is expected to increase by 4.1% and 2.7%, respectively. Due to the exceptional situation at the moment, the forecasts remain subject to increased uncertainty.[1,2,3]

Sector developments

The Association of the German Furniture Industry expects the renewed lockdown, which has also applied to the retail and furniture trade since the end of the year, to have a strong impact in 2021. According to its latest press release, this lockdown hits the furniture manufacturers at their busiest time of the year.[5]

Unimpressed by the restrictions imposed on physical retail, the order intake of manufacturers of MDF/HDF boards has been high in the year to date. Supply bottlenecks in the market lead to rising prices for corresponding contracts. According to EUWID, no trend reversal is in sight here.[9]

2. Opportunities and risks

Opportunities arise from the trend towards lightweight construction in the furniture industry and the resulting demand for the Group's products. As a result of the constant replacement and rationalization investments, the production facilities are state-of-the-art. This provides the opportunity to consistently increase the capacity of the existing plants.

Sales and revenue risks exist above all in connection with a possible worsening in general economic performance, resulting in a 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.

In this context, there are also risks resulting from possible macroeconomic consequences of the coronavirus pandemic. With regard to the business activities of Homann Holzwerkstoffe Group, various risks exist, e.g. employees may become ill, which could have negative effects on the operational production processes. Disruptions in the supply chain for required input factors as well as disruptions in logistics and in sales channels on the customer side may occur. To the extent possible, the Group has taken essential precautions and preparations to reduce the probability of the risks occurring and/or their negative economic consequences.

Risks to the Group's earnings exist in connection with possible cost increases. 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. Where raw materials are concerned, fluctuations in the price of wood and other materials, such as glue, could result in higher costs. While the

[1] IMF: World Economic Outlook, January 2021
[2] IMF, October 2020: https://www.imf.org/en/Countries/LTU
[3] IMF: World Economic Outlook, Excel, January 2021
[5] Association of the German Furniture Industry, press release dated February 17, 2021
[9] EUWID, issue 11/2021, March 18, 2021

Group intends to pass on such price increases to customers, such increases may temporarily affect earnings, 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 jobs, or if costs increase due to the shortage of skilled workers.

Financing risks exist in the event that the Group is unable to meet financial covenants in the future, or that it is unable to renew its credit lines upon expiration.

Moreover, the Polish sites are exposed to market risk due to possible changes in exchange rates.

3. Outlook and strategic plans

All of the Group's plants performed well in the past financial year. In the first quarter of 2021, the market for thin fibreboards in the core countries supplied by the Group remained very strong. Even the current restrictions imposed in the context of the renewed lockdown that has been in place since late autumn has not resulted in declining demand. Overall, we expect the market to remain stable in 2021, although effects on the furniture market are likely if retail restrictions are not eased soon.

Subject to all the uncertainties mentioned above, we expect an increase in revenues as well as EBITDA at a level similar to the financial year 2020 for the financial year 2021.

Munich, April 23, 2021

Fritz Homann Ernst Keider Helmut Scheel


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CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of December 31, 2020

ASSETS

	Item Comment	Dec. 31, 2020 EUR	Dec. 31, 2019 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		1,147,747.70	1,956,729.52
2. Advance payments made		164,092.40	142,464.00
		1,311,840.10	**2,099,193.52**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		43,028,173.39	44,184,263.16
2. Technical equipment and machinery		88,771,537.79	103,873,599.89
3. Other property, plant and equipment		7,048,481.75	5,912,964.25
4. Advance payments made and work in progress		18,856,031.59	6,523,282.89
		157,704,224.52	**160,494,110.19**
III. Financial assets			
Equity investments		0.00	15,178.50
		159,016,064.62	**162,608,482.21**
B. Current assets			
I. Inventories			
1. Raw materials and supplies		24,350,416.92	19,948,381.65
2. Unfinished goods		3,488,341.16	5,114,874.95
3. Finished goods		5,101,933.06	9,013,460.13
4. Advance payments made		140,525.76	96,911.90
		33,081,216.90	**34,173,628.63**
II. Receivables and other assets	6.b.		
1. Trade receivables		1,551,378.22	2,480,399.72
2. Other assets		17,337,688.34	13,645,620.60
		18,889,066.56	**16,126,020.32**
III. Investments classified as current assets	6.c.	4,479,514.33	2,118,700.66
IV. Cash holdings, bank deposits and cheques		91,027,952.03	29,579,521.46
		147,477,749.82	**81,997,871.07**
C. Accrued items	6.b.	3,502,090.74	1,278,422.96
D. Assets arising from the overfunding of pension obligations	6.d.	82,020.84	175,708.23
		310,077,926.02	**246,060,484.47**

LIABILITIES

	Item Comment	Dec. 31, 2020 EUR	Dec. 31, 2019 EUR
A. Equity	6.e.		
I. Subscribed capital		25,000,000.00	25,000,000.00
II. Capital reserves		25,564.60	25,564.60
III. Other profit reserves		214,613.17	248,801.80
IV. Equity difference from currency conversion		-14,555,168.43	-8,301,592.59
V. Consolidated retained earnings		47,216,409.55	28,082,742.28
		57,901,418.89	**45,055,516.09**
B. Provisions	6.f.		
1. Provisions for pensions and similar obligations		3,084,247.00	2,769,719.00
2. Provisions for taxes		2,109,240.34	964,799.73
3. Other provisions		4,801,054.85	5,107,646.74
		9,994,542.19	**8,842,165.47**
C. Liabilities	6.g.		
1. Bonds		60,000,000.00	60,000,000.00
2. Silent partnership		0.00	4,000,000.00
3. Advance payments received		0.00	467,000.00
4. Liabilities to financial institutions		147,574,237.49	95,800,582.05
5. Trade payables		26,820,828.56	23,074,484.98
6. Other liabilities		7,621,019.90	8,519,868.93
		242,016,085.95	**191,861,935.96**
D. Accrued items		8,878.99	6,866.95
E. Deferred tax liabilities	6.h.	157,000.00	294,000.00
		310,077,926.02	**246,060,484.47**

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to December 31, 2020

	Item Comment	2020 EUR	2019 EUR
1. Revenues	7.a.	262,820,173.66	273,771,609.10
2. Reduction/increase in inventory of finished and unfinished goods		-5,530,292.31	1,083,867.67
3. Other own work capitalized		592,867.75	1,018,786.91
4. Other operating income	7.b.	5,048,744.42	5,482,229.94
		262,931,493.52	**281,356,493.62**
5. Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-110,937,705.09	-131,979,835.37
b) Cost of purchased services		-21,149,387.56	-19,236,228.25
		-132,087,092.65	-151,216,063.62
Gross profit		**130,844,400.87**	**130,140,430.00**
6. Expenses for personnel	7.c.		
a) Wages and salaries		-35,643,410.64	-36,150,976.88
b) Social security, pensions and other benefits		-7,224,229.95	-6,729,192.22
		-42,867,640.59	-42,880,169.10
7. Depreciation and amortization of intangible and tangible fixed assets		-16,069,871.51	-16,299,671.46
8. Other operating expenses	7.d.	-43,738,911.52	-39,645,925.41
Operating result		**28,167,977.25**	**31,314,664.03**
9. Other interest and similar income		69,855.90	928,710.27
10. Write-down of financial investments and investments classified as current assets		-1,019,852.77	-14,691.03
11. Interest and similar expenditure		-6,868,057.77	-7,193,718.60
Financial result	7.e.	**-7,818,054.64**	**-6,279,699.36**
12. Income taxes	7.f.	-1,216,255.34	-3,019,313.93
13. Earnings after taxes / consolidated net income		**19,133,667.27**	**22,015,650.74**

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to December 31, 2020

		2020 kEUR	2019 kEUR
	Consolidated result	**19,133**	**22,016**
+/-	Depreciation of assets	16,070	16,300
-/+	Profit/loss from the disposal of fixed assets	24	63
-/+	Other non-cash expenses/income	519	-4,374
-/+	Increase/decrease in inventories	1,093	1,050
-/+	Increase/decrease in trade receivables	929	-879
-/+	Increase/decrease in receivables from affiliated companies / shareholders	0	142
-/+	Increase/decrease in other assets	-9,051	7,041
+/-	Increase/decrease in provisions	838	1,114
+/-	Increase/decrease in trade payables	3,747	-6,081
+/-	Increase/decrease in liabilities to affiliated companies	0	-145
+/-	Increase/decrease in other liabilities	-1,501	-171
+/-	Income tax expenses/income	1,216	3,019
+/-	Interest expenses / interest income	5,982	2,854
+/-	Currency-related change in assets/liabilities	4,267	-1,094
=	**Cash flow from operating activities**	**43,266**	**40,855**
+	Proceeds from the disposal of tangible assets / intangible assets	381	1,274
-	Cash paid for investments in tangible assets/intangible assets	-23,922	-13,354
-	Cash paid for additions to the scope of consolidation	0	-243
=	**Cash flow from investing activities**	**-23,541**	**-12,323**
+	Cash received from raising borrowings	65,000	2,500
-	Cash paid for the redemption of borrowings	-11,180	-15,624
-	Profit distribution to the shareholders	0	-15,745
+	Proceeds from the repayment of shareholder loans	0	15,745
-	Interest paid	-5,982	-2,854
+/-	Income taxes paid/refunded	-455	-433
=	**Cash flow from financing activities**	**47,383**	**-16,411**
	Change in cash and cash equivalents	67,108	12,121
+	Change in cash and cash equivalents from consolidation	0	293
+	Change in cash and cash equivalents from currency conversion	519	0
+	Cash and cash equivalents at the beginning of the period	4,103	-8,311
=	**Cash and cash equivalents at the end of the period**	**71,730**	**4,103**

Composition of cash and cash equivalents	**Dec. 31, 2020 kEUR**	**Dec. 31, 2019 kEUR**
Cash	91,028	29,579
Investments classified as current assets	653	521
Liabilities to banks agreed at short notice	-19,951	-25,997
	71,730	**4,103**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to December 31, 2020

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Equity difference from currency conversion EUR	Consolidated retained earnings EUR	Equity EUR
January 1, 2019	25,000,000.00	25,564.60	138,000.01	-8,537,922.85	21,812,070.76	38,437,712.52
Profit distribution to the shareholders	0.00	0.00	0.00	0.00	-15,744,979.22	-15,744,979.22
Currency exchange differences	0.00	0.00	0.00	236,330.26	0.00	236,330.26
Badwill	0.00	0.00	110,801.79	0.00	0.00	110,801.79
Consolidated net income	0.00	0.00	0.00	0.00	22,015,650.74	22,015,650.74
December 31, 2019 / January 1, 2020	25,000,000.00	25,564.60	248,801.80	-8,301,592.59	28,082,742.28	45,055,516.09
Currency exchange differences	0.00	0.00	0,00	-6,253,575.84	0.00	-6,253,575.84
Badwill	0.00	0.00	-34,188.63	0.00	0.00	-34,188.63
Consolidated net income	0.00	0.00	0.00	0.00	19,133,667.27	19,133,667.27
December 31, 2020	25,000,000.00	25,564.60	214,613.17	-14,555,168.43	47,216,409.55	57,901,418.89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to December 31, 2020

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of December 31, 2020 have been prepared in accordance with the requirements of the German Commercial Code (HGB) applicable to consolidated financial statements. 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 organized according to the total cost accounting method (Gesamtkostenverfahren; section 275 para. 2 HGB), other taxes are shown under other operating expenses.

HHW is entered in the Commercial Register of the Munich local court under HRB 240650.

2. Consolidated companies

Aside from Homann Holzwerkstoffe GmbH, the following eleven subsidiaries were included in the consolidated financial statements as of December 31, 2020 as fully consolidated companies:

No.	Company	Equity share	Held by	Equity Dec. 31, 2020	Net profit/loss
		%	No.	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Munich			27,083	889
2	HOMANIT Holding GmbH, Munich	100.00	1	72,091	15,448
3	Homanit GmbH & Co. KG, Losheim	100.00	2	13,861	18,776
4	Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	38	2
5	Homanit France SARL, Schiltigheim	100.00	3	28	2
6	Homanit Polska Sp. z o.o., Spolka	99.99	2	82,497	17,214
	Kommandytowa, Karlino	0.01	7		
7	Homanit Polska Sp. z o.o., Karlino	100.00	2	956	178
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,224	138
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	8,116	3,116
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	292	-22
11	UAB Homanit Lietuva, Pagiriu	100.00	2	4,526	-305
12	HOPE Investment Sp. z o.o., Poznan	100.00	6	125	-19

The annual results for nos. 1 to 3 and 6 also include corresponding investment income.

Homanit International GmbH, which was included in the basis of consolidation in the previous year, was merged with the parent company in the financial year 2020. This resulted in a merger loss of kEUR 1 for the parent company; in the consolidated financial statements, the badwill from capital consolidation (kEUR 34) was reversed to increase profits.

3. Consolidation principles

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 (book value method). The consolidated financial statements do not show any goodwill from capital consolidation. Badwill is recognized 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. The consolidated financial statements were prepared based on the assumption that the company will continue as a going concern.

Payables and receivables between consolidated companies are offset.

Revenues, income and expenses between consolidated companies are offset.

Interim results with respect to raw materials and supplies as well as 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 prepared 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. The equity included in capital consolidation is translated at historical rates. Rate differences from the translation of subscribed capital as well as profit carried forward from subsequent consolidation are recognized in the difference in equity resulting from currency translation. The differences from translation of annual results at average rates are recognized 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 also recognized as differences in equity resulting from currency translation with no effect on profit or loss.

5. Accounting policies

HHW's accounting policies also apply to the consolidated financial statements. Annual financial statements prepared in accordance with Polish and Lithuanian 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. Amortization and depreciation are carried out using the straight-line method based on the expected useful life of the asset and in accordance with tax provisions. The useful life of land, leasehold rights and buildings, including buildings on unowned land, is 10-75 years, the useful life of technical equipment and machinery 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 cost of manufacture according 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 recognized at nominal values. Individual impairments are undertaken for individual risks. Foreign-currency receivables are recognized 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 realization and acquisition cost principle.

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 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 recognized in **prepaid expenses**.

The right to elect to capitalize **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 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 “2018 G” tables of Prof. Dr. Klaus Heubeck, applying an actuarial interest rate of 1.60%.

Liabilities are recognized at the repayment amount. Liabilities in foreign currency are translated at the time of acquisition using the exchange rate applicable on that date. As of the balance sheet date, foreign currency liabilities are measured at the mean spot exchange rate, taking into account the realization, imparity and cost principles if the remaining term exceeds one year.

6. Notes to the consolidated balance sheet

a) Fixed assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Jan. 1, 2020 EUR	Reclassifi-cations EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Dec. 31, 2020 EUR	Jan. 1, 2020 EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Dec. 31, 2020 EUR	Dec. 31, 2020 EUR	Jan. 1, 2020 EUR
I. Intangible assets													
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	6,967,332.60	16.154.29	212,169.02	0.00	-81,501.65	7,114,154.26	5,010,603.08	983,332.32	0.00	-27,528.84	5,966,406.56	1,147,747.70	1,956,729.52
2. Advance payments made	142,464.00	0.00	21,628.40	0.00	0.00	164,092.40	0.00	0.00	0.00	0.00	0.00	164,092.40	142,464.00
	7,109,796.60	16,154.29	233,797.42	0.00	-81,501.65	7,278,246.66	4,891,603.08	983,332.32	0.00	-27,528.84	5,966,406.56	1,311,840.10	2,099,193.52
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	78,253,072.79	1,231,891.40	2,827,517.82	-71,298.77	-4,219,762.97	78,021,420.27	34,068,809.63	2,222,906.35	-62,303.48	-1,236,165.62	34,993,246.88	43,028,173.39	44,184,263.16
2. Technical equipment and machinery	201,909,863.61	1,438,373.96	1,758,144.78	-230,457.64	-13,309,365.46	191,566,559.25	98,036,263.72	11,013,611.99	-205,714.33	-6,049,139.92	102,795,021.46	88,771,537.79	103,873,599.89
3. Other property, plant and equipment	18,315,456.95	415,562.22	3,137,025.68	-1,219,407.58	-832,717.07	19,815,920.20	12,402,492.70	1,850,020.85	-945,116.20	-539,958.90	12,767,438.45	7,048,481.75	5,912,964.25
4. Advance payments made and work in progress	6,523,282.89	-3,101,981.87	15,965,483.09	-81,866.13	-448,886.39	18,856,031.59	0,00	0.00	0.00	0.00	0.00	18,856,031.59	6,523,282.89
	305,001,676.24	-16,154.29	23,688,171.37	-1,603,030.12	-18,810,731.89	308,259,931.31	144,191,622.05	15,086,539.19	-1,213,134.01	-7,825,264.44	150,555,706.79	157,704,224.52	160,494,110.19
III. Financial assets													
Equity investments	15,178.50	0.00	0.00	-15,178.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,178.50
	312,126,651.34	0.00	23,921,968.79	-1,618,208.62	-18,892,233.54	315,538,177.97	149,083,225.13	16,069,871.51	-1,213,134.01	-7,852,793.28	156,522,113.35	159,016,064.62	162,608,482.21

b) Receivables, other assets, prepaid expenses

There are no receivables with residual terms of more than one year; residual terms of more than one year exist for other assets in the amount of kEUR 2,682 (previous year: kEUR 3,682) and for deferred items in the amount of kEUR 707 (previous year: kEUR 44).

Significant items recognized in **other assets** include an investment in a limited partnership (kEUR 2,675; previous year: kEUR 3,675), tax refund claims amounting to kEUR 5,400 (previous year: kEUR 6,779) as well as receivables from factoring companies amounting to kEUR 6,923 (previous year: kEUR 1,703).

Accrued items primarily include the prepaid expenses from rental and leasing payments of kEUR 45 (previous year: kEUR 107) as well as insurance contributions for the time after December 31, 2020.

c) Other securities

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

	Dec. 31, 2020 kEUR	Dec. 31, 2019 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	3,827	1,598
Other fund shares	653	521
	4,480	2,119

d) Assets arising from the overfunding of pension obligations

Please refer to the explanations under item 6.f.

e) Equity

Subscribed capital, reserves and consolidated retained earnings are recognized as **equity**.

Pursuant to commercial register entries, the following shareholder relationships existed as of December 31, 2020:

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

The **capital reserve** arose from the contribution of shares in a GmbH by the shareholders at book values without consideration in the context of the change in legal form.

Other profit reserves resulted from the change of accounting rules implemented as a result of the German Accounting Modernization Act (BilMoG) in the amount of kEUR 22 and from the differences on the liabilities side from capital consolidation in the amount of kEUR 193. Badwill relates to HOPE Investment Sp. z.o.o. (kEUR 111), Homatrans (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2). They arose exclusively from retained earnings from the period prior to the first-time consolidation. If the shares in these companies are sold, badwill will be reversed to increase profits.

The **difference in equity resulting from currency conversion** decreased from kEUR -8,302 to kEUR -14,555 due to the changes in the PLN/EUR exchange rate.

The table below shows the changes in **consolidated retained earnings**:

	EUR
Consolidated retained earnings as of January 1, 2020	28,082,742.28
Consolidated net income	19,133,667.27
Consolidated retained earnings as of December 31, 2020	47,216,409.55

Amounts totalling kEUR 365 (previous year: kEUR 359) may not be distributed pursuant to section 253 para. 6 sentence 1 HGB and due to first-time application of the German Accounting Modernization Act (BilMoG).

f) Provisions

The projected unit credit method for the **pension provisions** 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 "2018 G" tables of Prof. Dr. Klaus Heubeck.

The calculation was based on the following assumptions:

	Dec. 31,2020
Interest rate at the beginning of the financial year	2.71%
Interest rate at the end of the financial year	2.30%
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, 2020, an amount of kEUR 27 from the first-time adoption of the German BilMoG Act had not yet been recognized in pension provisions. Furthermore, there was a difference of kEUR 339 pursuant to section 253 para. 6 sentence 1 HGB. The pension obligation would have to be increased by this amount if the average interest rate of the past seven years (1.60%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2020 as well as from previous years.

Other provisions primarily involve obligations to employees (e.g. leave, anniversaries, profit shares, overtime, contributions to professional associations), warranty and bonus obligations to customers and imminent losses from pending transactions as well as 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 217, were netted out with plan assets at fair value, in the amount of kEUR 299. This resulted in **assets arising from the overfunding of pension obligations** of kEUR 82, which were recognized 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 653; previous year: kEUR 521) 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 was offset against interest expenses from the compounding of early retirement provisions.

g) Liabilities

Liabilities have the following maturity structure:

December 31, 2019	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	Total EUR
1. Bonds	0.00	60,000,000.00	000	60,000,000.00
2. Silent partnership	0.00	4,000,000.00	0.00	4,000,000.00
3. Liabilities to financial institutions	37,273,916.62	51,431,171.29	7,095,494.14	95,800,582.05
4. Advance payments received	467,000.00	0.00	0.00	467,000.00
5. Trade payables	23,074,484.98	0.00	0.00	23,074,484.98
6. Other	6,973,252.21	1,546,616.72	0.00	8,519,868.93
	67,788,653.81	116,977,788.01	7,095,494.14	191,861,935.96

December 31, 2020	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	Total EUR
1. Bonds	60,000,000.00	0.00	0.00	60,000,000.00
2. Silent partnership	0.00	0.00	0.00	0.00
3. Liabilities to financial institutions	36,293,568.29	98,871,762.58	12,408,906.62	147,574,237.49
4. Advance payments received	0.00	0.00	0.00	0.00
5. Trade payables	26,820,828.56	0.00	0.00	26,820,828.56
6. Other	6,752,955.12	868,064.78	0.00	7,621,019.90
	129,867,351.97	99,739,827.36	12,408,906.62	242,016,085.95

The **bond** consists of 60,000 notes in the principal amount 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 recognized on an accrual basis by kEUR 1,715 as of December 31, 2020. For the refinancing and redemption of the bond, please refer to the explanations under post-balance sheet events.

The silent partnership had a term until September 30, 2022. It was terminated and redeemed early as of October 31, 2020. The compensation for the period from January 1, 2020 to October 31, 2020 in the amount of kEUR 233 was paid in the financial year 2020.

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.

Other liabilities essentially comprise liabilities from the financing of fixed asset items (lease purchase and leasing agreements) of kEUR 1,546 (previous year: kEUR 2,432) and wages outstanding in the amount of kEUR 1,804 (previous year: kEUR 1,765) as well as accrued interest under the bond issue in the amount of kEUR 1,715 (previous year: kEUR 1,715). Taxes accounted for kEUR 532 (previous year: kEUR 488) and social insurance contributions for kEUR 1,300 (previous year: kEUR 1,253).

h) Deferred tax liabilities

Deferred tax assets result from different values recognized in the commercial balance sheet and the tax balance sheet in the amount of kEUR 162 (previous year: kEUR 442), from losses carried forward in the amount of kEUR 400 (previous year: kEUR 0) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 78 (previous year: kEUR 113). Deferred tax liabilities of kEUR 797 (previous year: kEUR 849) result from different values recognized in the commercial balance sheet and the tax balance sheet. Deferred tax assets were offset against deferred tax liabilities. 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 balance sheet and the tax balance sheet, as well as to tax loss carry-forwards. Tax rates of between 15% and 26,5% were used.

7. Notes to the consolidated income statement

a) Revenues

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

	2020 kEUR	2019 kEUR
Germany	62,504	62,447
European Union	181,365	188,992
Other foreign countries	18,951	22,303
	262,280	273,772

b) Other operating income

The main item recognized in other operating income were currency exchange gains of kEUR 3,232 (previous year: kEUR 2,371). These were fully realized in the financial year 2020, whereas in the previous year an amount of kEUR 1,377 was realized and kEUR 994 was not realized. Of the other operating income, kEUR 499 relates to previous years and kEUR 667 to the reversal of an asset purchase agreement. In the previous year, the Group generated profits of kEUR 678 from trading in air pollution permits.

c) Expenses for personnel

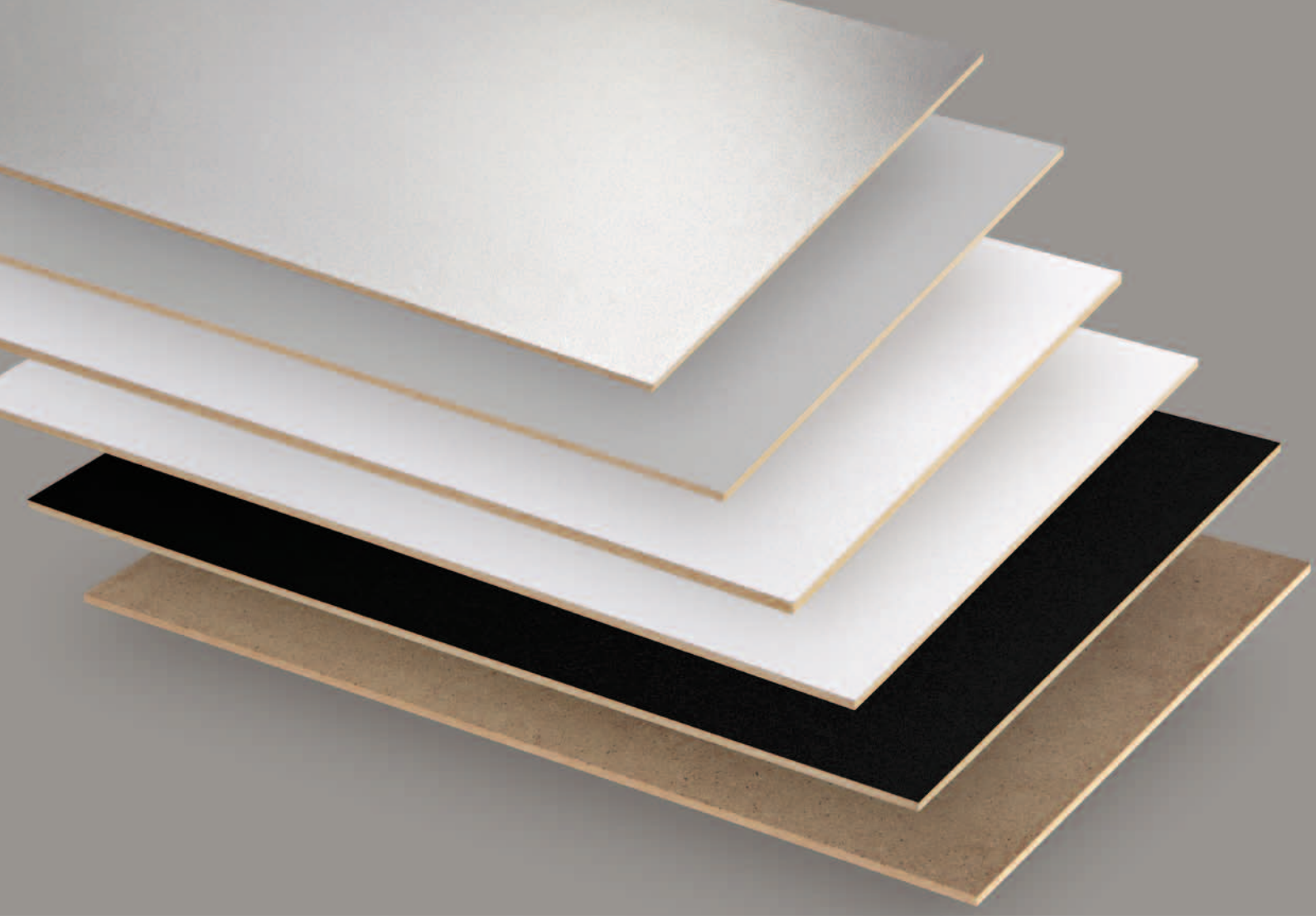
Expenses for personnel in the amount of kEUR 42,868 (previous year: kEUR 42,880) include expenses for old-age provisions of kEUR 160 (previous year: kEUR 219). In the financial year 2020, an amount of kEUR 1,520 was reimbursed to the Group due to short-time work caused by the coronavirus pandemic. The reimbursements were offset against expenses for personnel. 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 managing directors):

	2020	2019
White-collar employees	331	357
Blue-collar employees	1,184	1,127
Total	1,515	1,484

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 15,206 (previous year: kEUR 17,166), repair and maintenance costs as well as costs of performance in the amount of kEUR 8,996 (previous year: kEUR 8,795), administrative costs of kEUR 9,915 (previous year: kEUR 9,552) and currency exchange losses of kEUR 8,441 (previous year: kEUR 1,826). In the financial year 2020, there were realized exchange losses of kEUR 2,945 and unrealized exchange differences of kEUR 5,496, whereas these were realized in full in the previous year. In addition, the expenses for other taxes in the amount of kEUR 1,132 (previous year: kEUR 1,108) and the costs of purchase and sale of securities of kEUR 49 (previous year: kEUR 88) are reported.



e) Financial result

Interest and similar income resulted in particular from the investment in securities and deposits in the amount of kEUR 189; negative interest (custodian fee for bank balances) in the amount of kEUR 119 was offset against it.

Write-downs on financial assets and investments classified as current assets relate to write-downs on investments classified as current assets in the amount of kEUR 20 (previous year: kEUR 15) as well as to the write-down on an investment in a partnership held as a current asset in the amount of kEUR 1,000.

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 235 (previous year: kEUR 259).

f) Income taxes

This item breaks down as follows:

	2020 kEUR	2019 kEUR
Deferred taxes resulting from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet	-523	-525
Trade tax	- 313	- 134
Corporate income tax from previous years	0	- 78
Corporate income tax	- 849	- 65
Deferred taxes from consolidation	+ 260	- 26
Trade tax from previous years	- 65	+ 118
Polish income tax	- 126	0
Deferred taxes on losses carried forward	+400	-2,309
	-1,216	-3,019

Deferred tax assets were recognized for losses carried forward only where corresponding income is projected to be generated in the next five years.

8. Contingent liabilities and other financial obligations

No **contingent liabilities** existed as of December 31, 2020.

As of the balance sheet date, other **financial obligations** amounted to kEUR 11,562 (previous year: kEUR 10,631). These obligations involve rental, leasing and leasehold agreements. There is also a liability from plant orders amounting to kEUR 10,678 (previous year: kEUR 5,232).

An underwriting agreement exists with two credit institutions, as well 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 350 existed as of December 31, 2020 for which no provision was to be recognized 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

The following events of particular importance occurred after the end of the financial year:

The company issued a new bond in the amount of EUR 65 million with an interest rate of 4.5% and a term until 2026. The value date was March 12, 2021.

On March 15, 2021, the existing bond in the amount of EUR 60 million with an interest rate of 5.25% and a term until 2022 was called early by the company and repaid using the proceeds from the new bond.

10. Other information

Group relationships

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

Fritz Homann GmbH is registered in the Commercial Register of the Munich local court under HRB 240718.

Use of section 264b HGB (German Commercial Code)

Homanit GmbH & Co. KG, Losheim (trading partnerships within the meaning of section 264a para. 1 HGB) was included in the consolidated financial statements of Homann Holzwerkstoffe GmbH and makes use of the exemption provided by section 264b HGB with regard to the disclosure of its financial statements.

Appropriation of earnings

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

Management

Managing Directors of Homann Holzwerkstoffe GmbH are:

- **Mr Fritz Homann,** Managing Partner, Munich,
- **Mr Ernst Keider,** Technical Managing Director, Saarlouis,
- **Mr Helmut Scheel,** Commercial Managing Director, Germering (since November 9, 2020).

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.

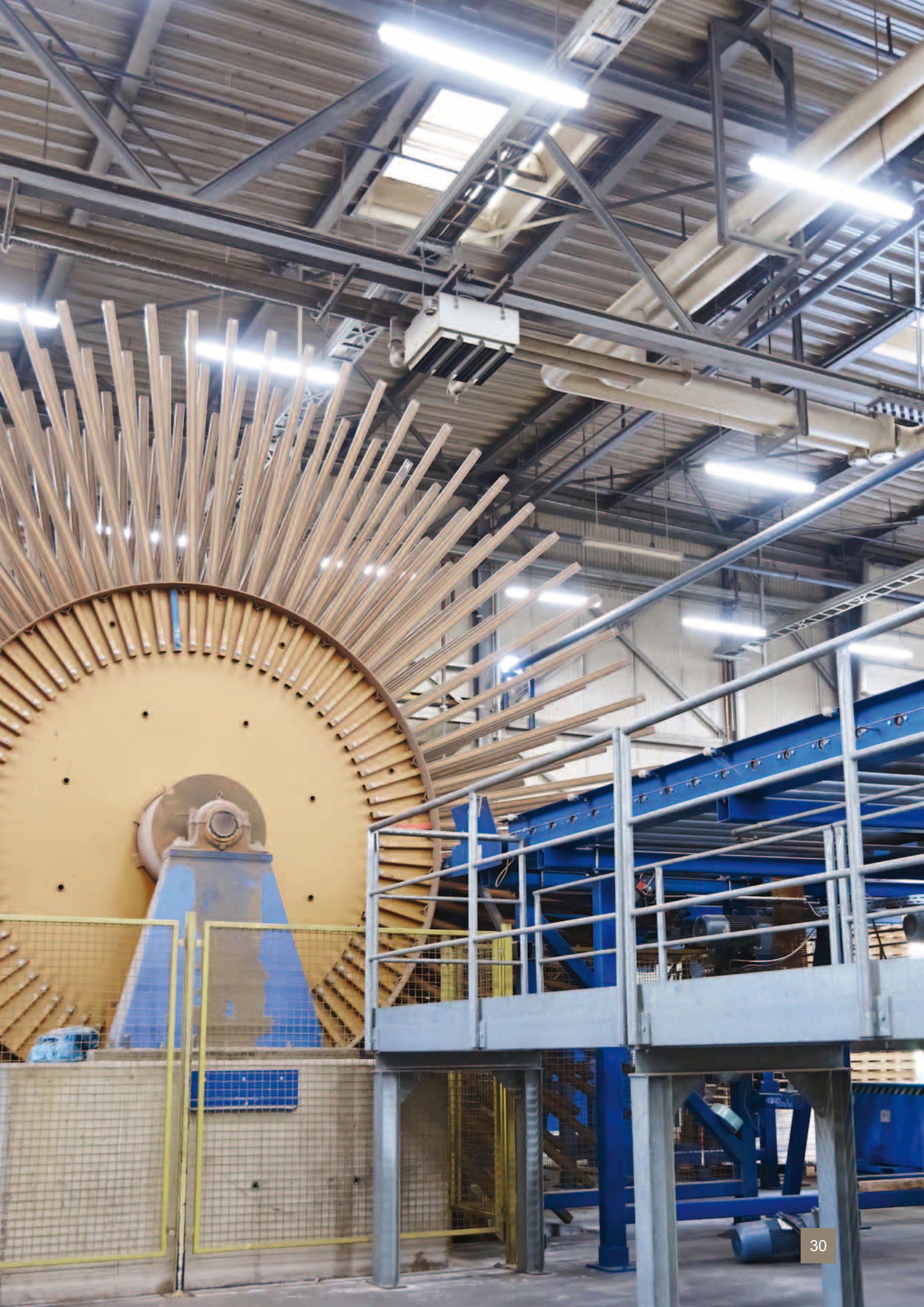
Pension payments of kEUR 10 were made to the widow of a former Managing Director in the financial year. The pension provision established for this purpose amounts to kEUR 21.

Fees

The fee recognized as an expense in the financial year 2020 pursuant to section 314 para. 1 no. 9 HGB relates to financial statements audits (kEUR 116), other audit services (kEUR 98) and tax advisory (kEUR 5).

Munich, April 23, 2021

Fritz Homann Ernst Keider Helmut Scheel



INDEPENDENT AUDITOR'S REPORT

To Homann Holzwerkstoffe GmbH, Munich

Audit Opinions

We have audited the consolidated financial statements of Homann Holzwerkstoffe GmbH, Munich and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Homann Holzwerkstoffe GmbH, München, for the financial year from 1 January 2020 to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information includes the 2020 annual report, which is expected to be made available to us after the date of this auditor's report, but not the consolidated financial statements, not the group management report and not our associated auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the other information mentioned above – as soon as it becomes available – and in doing so to assess whether the other information

- have material inconsistencies with the consolidated financial statements, the group management report or our knowledge obtained during the audit, or
- appear otherwise materially incorrectly represented.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Viersen, 23 April 2021

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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