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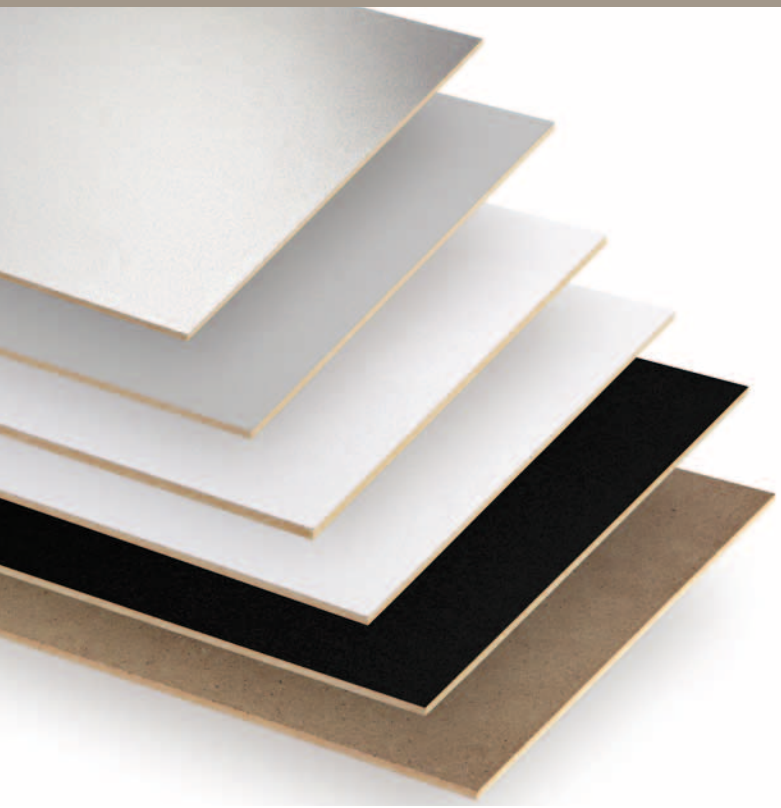
HOLZWERKSTOFFE

Interim Group Report June 30, 2021
Homann Holzwerkstoffe GmbH



Interim Group Report
Homann Holzwerkstoffe GmbH

for the period from January 1, 2021 to June 30, 2021

TABLE OF CONTENTS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FOREWORD

Dear Reader,

We are pleased to report on our successful performance in the first six months of 2021. All our plants are operating at capacity limits, which is reflected in our business figures – compared to the first half of 2020, we have grown our revenues by almost EUR 40 million to EUR 156.9 million. Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) have increased by more than 60% to EUR 32.5 million, which is above plan. At EUR 12.9 million, consolidated net income also clearly exceeded the previous year's EUR 5.3 million at the half-year stage. As a result, the equity ratio improved to 21.1% as of June 30, 2021.

When analyzing the positive performance, it should be noted that we were unable to produce for several weeks in the first half of 2020 due to the coronavirus. We were able to successfully master all of this – crisis management, extremely high demand for our products, turbulent commodity markets – only because we always stood shoulder to shoulder with our excellent employees, long-standing business partners and trusting investors.

But our performance is also remarkable as we are still operating in what are turbulent times for the world economy and a very dynamic industry. Thus, the pandemic continues to influence our coexistence in 2021 and the necessary countermeasures are still having an impact on the markets. At the same time, we are observing material and commodity shortages in the procurement markets, which are leading to longer delivery times and, especially for chemical products, to extremely rising costs. As we are passing on the increased manufacturing costs to the market, these developments are not weighing on our margin, though.

To meet the continued high demand for HDF/MDF boards, we have decided to build up further capacity in addition to the plant in Lithuania, which is currently in the investment phase and is scheduled to start production in autumn 2022. However, we have not finally decided at which of our Group sites the additional, the already configured production line will be installed.

We have already established ourselves in the capital market as a bond issuer and are highly regarded by investors for our good credit ratios, secure cash flows and, quite generally, for our robust business model. Issued in the first half of the year, our EUR 65 million corporate bond 2021/2026 has been fully placed with investors at a fixed annual coupon of 4.5%. By prematurely refinancing the bond 2017/2022, we were able to reduce our capital costs and to further optimize our maturity profile. In view of high demand from investors, we took the opportunity in May to top up our bond to EUR 78 million. This gives us sufficient liquidity reserves for continued growth and future investment opportunities.

Our thanks go to all of you – our employees, customers, suppliers and investors – and we would be pleased if you remain loyal to our company as we continue our successful journey.

Munich, September 27, 2021

Fritz Homann Ernst Keider Helmut Scheel

INTERIM GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2021

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 success 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

Despite continuing global challenges, 2021 is characterized by strong economic recovery trends. Especially in the industrialized countries, widespread availability of vaccines reduces the risk of a further spread of COVID-19. In addition, continued fiscal support is helping to improve the situation for households and businesses affected by the crisis. In general, there are signs of a further normalization of public life. Conditions are more difficult in the emerging and developing countries, where the economy is also recovering strongly, but the insufficient availability of vaccines continues to result in rising infections and a general disruption of public life. According to its current forecast of July 2021, the International Monetary Fund (IMF) expects global economic growth of 6.0% (2020: -3.2%) for the full year. For the eurozone, GDP is expected to increase by 4.6% (2020: -6.5%).[1]

In the industrialized countries, the IMF forecasts growth of 5.6% (2020: -4.6%). The prospect of rising export growth and a recovery of the service sector combined with a normalization of public life result in a positive economic outlook in Germany. The IMF expects the country's GDP to increase by 3.6% (2020: -4.8%). Lithuania, where construction of the company's fourth production plant is currently beginning, already proved extremely resistant to the economic consequences of the coronavirus pandemic last year. Its economy is expected to grow by 3.2% in 2021 (2020: -0.8%).[2]

According to the IMF, economic output in the emerging and developing countries is expected to improve by 6.3% (2020: -2.1%). In Poland, where Homann Holzwerkstoffe has two production sites, the economy will probably grow by 4.6% (2020: -2.7%).[3]

[1] IMF: World Economic Outlook, July 2021
[2] IMF: World Economic Outlook, July 2021; World Economic Outlook, April 2021
[3] IMF: World Economic Outlook, July 2021

Sector developments

Due to a renewed lockdown that lasted several months, the German furniture industry once again experienced a very volatile course of business in the first half of 2021. Manufacturers had to face a huge drop in incoming orders as furniture stores were closed during the industry's strongest sales period. First store openings in relevant foreign markets in spring, and from May onwards also in Germany, resulted in a recovery due to the pent-up demand in the home furniture segment. However, the increasing demand coincides with widespread material shortages. According to the Association of the German Furniture Industry (VDM), there is not only a shortage of wood-based materials, but also of metal components, fittings, electronic components, upholstery foams, upholstery fabrics and packaging materials. This results in longer delivery times and rising costs.[4]

According to the Association of the German Furniture Industry, revenues in the German furniture sector totalled EUR 8.4 billion in the first six months, which corresponds to an increase of 4.3% compared to the same period of the previous year. While domestic revenues only improved by 1.5% due to the long lockdown, foreign revenues were up 10.6% on the first half of 2020. The most important export market for German furniture is France, with a strong increase of 46%. China, on the other hand, is the most important country of origin for furniture, with about 30% of furniture imported into Germany coming from there. Poland ranks second with a share of 27%.[5]

The different segments of the German furniture industry again showed diverse trends. Kitchen furniture grew by 16.3% to EUR 2.8 billion in the first six months of 2021. The “other furniture” segment, which includes living room, bedroom and dining room furniture, declined by 5.8% to EUR 2.8 billion. The office furniture segment recorded a decline of 0.3% to about EUR 960 million.[6]

The market for MDF/HDF boards in Central Europe is characterized by high excess demand, which leads to continuously rising prices. According to EUWID and based on data of the Federal Statistical Office, production of thin MDF boards increased by 3.8% to 71,243 m³ in the first quarter of 2021. The production of HDF boards destined for sale grew by 2.4% to 480.775 m³ in the first three months of 2021.[7]

2. Financial and non-financial performance indicators

The Group’s key financial performance indicators are revenues and earnings before interest, taxes, depreciation and amortization (EBITDA). They reflect the success of the Group’s business activities. In the first half of 2021, Homann Holzwerkstoffe Group generated revenues of EUR 156.9 million (prior year period: EUR 117.4 million). The Group reported EBITDA of EUR 33.5 million (prior year period: EUR 17.2 million), while EBITDA adjusted for one-time effects from exchange rate fluctuations amounted to EUR 32.5 million (prior year period: EUR 19.8 million). This corresponds to an EBITDA margin of 20.9% (prior year period: 17.0%).

The facts presented below are important for understanding the business trend and the situation of the Group as a whole. Non-financial performance indicators are not presented in accordance with section 315 para. 3 of the German Commercial Code (HGB) as they are of minor importance for the Group. The preparation of a sustainability report is planned for 2022.

[4] Association of the German Furniture Industry, press release dated August 23, 2021
[5] Association of the German Furniture Industry, press release dated August 23, 2021
[6] Association of the German Furniture Industry, press release dated August 23, 2021
[7] EUWID, issue 27/2021

3. Business trend and situation

Earnings position

Revenues in the first half of 2021 increased by EUR 39.5 million to EUR 156.9 million compared to the same period of the previous year. While the previous year's period was still significantly affected by the effects of the coronavirus pandemic on the sales markets, the latter recovered in the second half of 2020 and showed unabated high demand in the reporting period despite the continuing lockdown in the first half of 2021. The sales volume was up by about 18%.

Other operating income in the amount of EUR 3.7 million (previous year: EUR 2.4 million) mainly includes exchange gains of EUR 3.2 million (previous year: EUR 1.8 million).

While the higher raw material costs for wood and glue could partly be passed on essentially in the form of moderate price increases, a shift in the product mix towards a higher share of refined products led to a reduction in the cost of materials ratio (based on total output) to 49.9% (previous year: 53.1%).

The personnel expense ratio declined from 16.5% in the same period of the previous year to 15.7%, in particular due to the effects of declining fixed costs. The average number of employees increased from 1,497 in the same period of the previous year to 1,548 due to the high capacity utilization.

Other operating expenses rose from EUR 20.7 million to EUR 23.6 million. This includes expenses from changes in exchange rates of EUR 2.2 million. As a result of the higher sales volume, freight and distribution costs were up by EUR 1.6 million to EUR 8.4 million.

At the bottom line, the company achieved a very good operating result before depreciation and amortization due to the significant increase in revenues. Reported EBITDA amounted to EUR 33.5 million, compared to EUR 17.2 million in the same period of the previous year. The change is primarily attributable to additional profit contributions from the higher revenues as well as the absence of burdens from exchange rate effects in the same period of the previous year.

Adjusted for one-time effects from exchange rate fluctuations in the first half of 2021 and the corresponding prior year period, EBITDA amounted to EUR 32.5 million, compared to EUR 19.8 million in the previous year. The Group's plans were thus exceeded.

The item interest and similar expenditure mainly includes interest expenses for the bond and bank loans, which declined further from EUR 3.3 million to EUR 3.0 million due to the scheduled repayments made in the financial year, as well as one-off expenses in connection with the refinancing of the bond in the amount of EUR 2.6 million. Due to these one-off effects, the financial result of EUR -5.8 million was significantly weaker than in the same period of the previous year (EUR -3.2 million).

Consolidated net income for the first half of 2021 totalled EUR 12.9 million (adjusted: EUR 14.5 million). Net income in the first half of 2020 amounted to EUR 5.3 million (adjusted: EUR 7.9 million). The achieved result shows the high basic profitability of the business model with excellent production efficiency.

Assets position

As of the interim balance sheet date of June 30, 2021, total assets of Homann Holzwerkstoffe GmbH stood at EUR 344.2 million, which corresponds to an increase of 11.0% compared to the value at the end of 2020 and is mainly attributable to investments in fixed assets.

In the first half of 2021, investments in fixed assets amounting to EUR 48.0 million (prior year period: EUR 9.5 million) were made, primarily in real estate (EUR 14.8 million) and advance payments for equipment and machinery (EUR 30.5 million). A significant part of these investments is related to the construction of the new plant in Lithuania. Taking into account

depreciation, asset disposals and exchange rate differences, fixed assets increased by a total of EUR 36.9 million from EUR 159.0 million as of December 31, 2020, to EUR 195.9 million as at the interim balance sheet date.

Inventories were reduced to EUR 31.6 million due to a demand-induced decline in finished goods (December 31, 2020: EUR 33.1 million). Receivables and other assets rose slightly from EUR 18.9 million to EUR 20.5 million due to the higher revenues.

Equity increased further to EUR 72.5 million (December 31, 2020: EUR 57.9 million), in particular due to the clearly positive consolidated result for the first half of the year. As a result, the equity ratio improved further to 21.1% (December 31, 2020: 18.7%) despite the significant increase in total assets. The difference in equity resulting from currency conversion results from conversion differences to the Polish zloty for the Polish production sites. As the plants generate sustainable positive results in euro, we consider this difference recognized in equity as a currently irrelevant valuation result. For the analysis of the development of the equity ratio, equity is therefore adjusted for this item. This adjusted equity ratio was 24.8% as of the reporting date (December 31, 2020: 23.4%).

Provisions increased to EUR 14.2 million, compared to EUR 10.0 million as of the end of 2020. The increase mainly relates to trade tax, personnel costs, maintenance measures, guarantees and customer bonuses.

Liabilities were up from EUR 242.0 million as of December 30, 2020, to EUR 257.2 million as of June 30, 2021.

In the first half of the year, the existing bond with a term until June 2022 was repaid early. The repayment was financed by a newly issued bond with an issue volume of EUR 65 million and a term until September 2026. After the issue, the new bond was increased by a further EUR 13 million to EUR 78 million. The refinancing reduced interest expenses (from 5.25% to 4.50%) and secured the company's financing structure in the long term.

The decline in liabilities to banks by EUR 9.1 million to EUR 138.5 million is attributable to the repayment of loans and a reduced utilization of current account lines, while leasing obligations increased slightly.

Financial position

Cash flow from operating activities amounted to EUR 44.9 million in the first half of 2021 (prior year period: EUR 13.9 million). This was offset by cash outflows from investing activities in the amount of EUR 47.8 million (prior year period: EUR 9.4 million) and net cash inflows from financing activities of EUR 9.7 million (prior year period: EUR 6.0 million (net cash outflows)). At the bottom line, this increased cash and cash equivalents by EUR 75.5 million compared to the same period of the previous year; compared to December 31, 2020, the increase amounted to EUR 6.8 million.

As of June 30, 2021, the company had cash, cash equivalents and free securities in the amount of EUR 92.5 million (June 30, 2020: EUR 28.2 million) as well as free credit lines of EUR 32.0 million (previous year: EUR 17.8 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 13.9 million (June 30, 2020: EUR 25.2 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 78.6 million as at the interim balance sheet date (June 30, 2020: EUR 3.1 million). For information on restricted cash and cash equivalents, please refer to the disclosures in the notes.

On balance, management considers the assets, financial and earnings position to be good.

C. Forecast, opportunity and risk report

1. Future developments

Macroeconomic developments

The further outlook for 2022 is characterized by continuing uncertainties about the further course of the coronavirus pandemic, vaccination progress and necessary restrictions on public life. The IMF's current forecast from July 2021 assumes a global increase in gross domestic product of 4.9% for the coming year. The currently high inflation rates are, however, expected to decline again in 2022.[8]

For the industrialized countries, the experts expect growth of 4.4%, while the emerging and developing countries are to grow by 5.2% in 2022. Economic growth of 4.3% is forecast for the eurozone. According to the IMF, Germany's gross domestic product is expected to increase by 4.1%. Lithuania is forecast to grow by 3.2% and Poland's economic output is expected to increase by 5.2% in 2022.[9]

Sector developments

According to a market report by the market research firm Global Market Insights, the global furniture market had a size of over USD 545.78 billion in 2020 and is expected to grow at an average annual growth rate of 5.4% from 2021 to 2027. This development is favoured by the expansion of the hospitality and real estate sectors.[10] For Europe, the business research firm Graphical Research forecasts an average annual growth rate of 5.1% until 2026%.[11]

In its forecast for 2021 as a whole, the Association of the German Furniture Industry emphasizes that the effects of the material shortages on the business trend are difficult to assess. Total revenues at the previous year's level, i.e. about EUR 17.23 billion, are hence predicted.[12]

Demand for MDF/HDF boards remains at a high level. According to EUWID, a trend reversal is not in sight. The industry experts thus predict that there could be new supply restrictions from autumn onwards. As the supply situation remains tense, customers are increasingly buying from more distant regions such as Southern and Eastern Europe and Turkey, but also from overseas.[13]

2. Future 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.

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. Currently, there is a significant increase in wood prices on the raw material markets, including the industrial round wood required for Homann Holzwerkstoffe's production. A lack of timber stocks and political restrictions on the harvesting of fresh timber lead to low supply, while demand is high. If this situation does not change, rising prices and longer delivery times are also expected in the coming months. While the 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.

[8] IMF: World Economic Outlook, July 2021
[9] IMF: World Economic Outlook, July 2021; World Economic Outlook, April 2021
[10] Global Market Insights, Industry Trends Furniture Markets, June 2021
[11] Graphical Research, Europe Furniture Market Size
[12] Association of the German Furniture Industry, press release dated August 23, 2021
[13] EUWID, issue 32/2021

In this context, there are also risks resulting from possible macroeconomic consequences of the coronavirus pandemic. Compared to previous reporting periods, these risks are, however, significantly lower both in their probability of occurrence and in the intensity of their impact. In view of the sufficient availability of vaccines in general and an increasing vaccination rate among the employees of Homann Holzwerkstoffe Group in particular, the simultaneous illness of a large part of the workforce is considered unlikely. Theoretically, the simultaneous absence of many employees, can, however, have negative effects on the operational production processes. Furthermore, political decisions taken to control the pandemic can increase disruptions in the supply chains for required input factors as well as disruptions in logistics and sales channels on the customer side, e.g. orders to close furniture stores. To the extent possible, the Group has taken essential precautions and preparations to reduce the probability of the risks occurring and especially their potentially negative economic consequences.

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 displayed a good performance. The positive trend of the first half of the year continued in July and August, both in terms of revenues and earnings. Demand is expected to remain at a very high level in the second half of the year. Overall, we expect a significant increase in revenues and EBITDA for the financial year 2021 compared to the financial year 2020 based on the key figures already achieved.

Munich, September 27, 2021

Fritz Homann Ernst Keider Helmut Scheel

CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of June 30, 2021

ASSETS

	Notes item	Jun. 30, 2021 EUR	Dec. 31, 2020 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		352,917.61	1,147,747.70
2. Advance payments made		165,154.40	164,092.40
		518,072.01	**1,311,840.10**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		57,720,768.19	43,028,173.39
2. Technical equipment and machinery		84,333,630.51	88,771,537.79
3. Other property, plant and equipment		6,307,133.92	7,048,481.75
4. Advance payments made and work in progress		46,978,455.99	18,856,031.59
		195,339,988.61	**157,704,224.52**
		195,858,060.62	**159,016,064.62**
B. Current assets			
I. Inventories			
1. Raw materials and supplies		24,009,298.77	24,350,416.92
2. Unfinished goods		3,395,793.57	3,488,341.16
3. Finished goods and merchandise		3,073,998.28	5,101,933.06
4. Advance payments made		1,129,030.31	140,525.76
		31,608,120.93	**33,081,216.90**
II. Receivables and other assets	6.b.		
1. Trade receivables		2,749,426.89	1,551,378.22
2. Other assets		17,780,293.53	17,337,688.34
		20,529,720.42	**18,889,066.56**
III. Investments classified as current assets	6.c.	650,296.78	4,479,514.33
IV. Cash holdings, bank deposits and cheques	6.d.	91,886,935.11	91,027,952.03
		144,675,073.24	**147,477,749.82**
C. Accrued and deferred items	6.b.	3,611,384.02	3,502,090.74
D. Assets arising from the overfunding of pension obligations	6.d.	88,795.19	82,020.84
		344,233,313.07	**310,077,926.02**

LIABILITIES

	Notes item	Jun. 30, 2021 EUR	Dec. 31, 2020 EUR
A. Equity	6.f.		
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	214,613.17
IV. Equity difference from currency conversion		-12,856,427.26	-14,555,168.43
V. Consolidated retained earnings		60,118,619.76	47,216,409.55
		72,502,370.27	**57,901,418.89**
B. Provisions	6.g.		
1. Provisions for pensions and similar obligations		3,264,274.00	3,084,247.00
2. Provisions for taxes		2,784,787.00	2,109,240.34
3. Other provisions		8,191,866.13	4,801,054.85
		14,240,927.13	**9,994,542.19**
C. Liabilities	6.h.		
1. Bonds		78,000,000.00	60,000,000.00
2. Liabilities to financial institutions		138,503,305.92	147,574,237.49
3. Advance payments received		100,000.00	0.00
4. Trade payables		33,282,227.81	26,820,828.56
5. Other liabilities		7,297,737.84	7,621,019.90
		257,183,271.57	**242,016,085.95**
D. Accrued and deferred items		14,365.10	8,878.99
E. Deferred tax liabilities	6.i.	292,379.00	157,000.00
		344,233,313.07	**310,077,926.02**

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2021 to June 30, 2021

	Notes item	Jan. 1 - Jun. 30, 2021 EUR	Jan. 1 - Dec. 31, 2020 EUR	Jan. 1. - Jun. 30, 2020 EUR
1. Revenues	7.a	156,897,476.71	262,820,173.66	117,412,492.83
2. Reduction in inventory of finished and unfinished goods		-2,080,404.17	-5,530,292.31	-1,229,657.64
3. Other own work capitalized		479,852.51	592,867.75	318,724.70
4. Other operating income	7.b	3,714,509.26	5,048,744.42	2,425,368.91
		159,011,434.31	**262,931,493.52**	**118,926,928.80**
5. Cost of materials				
a) Cost of raw materials and consumables and goods for resale		-65,465,908.32	-110,937,705.09	-51,988,931.37
b) Cost of purchased services		-12,057,560.82	-21,149,387.56	-9,847,299.76
		-77,523,469.14	-132,087,092.65	-61,836,231.13
Gross profit		**81,487,965.17**	**130,844,400.87**	**57,090,697.67**
6. Expenses for personnel	7.c			
a) Wages and salaries		-20,429,633.56	-35,643,410.64	-16,013,976.58
b) Social security, pensions and other benefits		-3,951,869.35	-7,224,229.95	-3,183,285.57
		-24,381,502.91	-42,867,640.59	-19,197,262.15
7. Depreciation and amortization of intangible and tangible fixed assets	7.d	-13,713,929.94	-16,069,871.51	-8,133,896.64
8. Other operating expenses	7.e	-23,570,314.27	-43,738,911.52	-20,653,731.24
Operating result		**19,822,218.05**	**28,167,977.25**	**9,105,807.64**
9. Other interest and similar income		333,327.70	69,855.90	32,446.32
10. Write-down of financial investments and investments classified as current assets		-81,346.05	-1,019,852.77	4,272.09
11. Interest and similar expenditure		-6,014,651.92	-6,868,057.77	-3,264,326.98
Financial result	7.f	**-5,762,670.27**	**-7,818,054.64**	**-3,227,608.57**
12. Income taxes	7.g	-1,157,337.57	-1,216,255.34	-586,259.59
13. Earnings after taxes / consolidated net income		**12,902,210.21**	**19,133,667.27**	**5,291,939.48**

CONSOLIDATED CASH FLOW STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2021 to June 30, 2021

		Jan. 1 - Jun. 30, 2021 kEUR	Jan. 1 - Dec. 31, 2020 kEUR	Jan. 1. - Jun. 30, 2020 kEUR
	Consolidated result	**12,902**	**19,133**	**5,292**
+/–	Depreciation of assets	13,714	16,070	8,134
–/+	Profit/loss from the disposal of fixed assets	-43	24	92
–/+	Other non-cash expenses/income	180	519	6,533
–/+	Increase/decrease in inventories	1,473	1,093	793
–/+	Increase/decrease in trade receivables	-1,198	929	846
–/+	Increase/decrease in other assets	3,268	-9,051	-6,443
+/–	Increase/decrease in provisions	3,219	838	-64
+/–	Increase/decrease in trade payables	6,461	3,747	-289
+/–	Increase/decrease in other liabilities	-820	-1,501	-267
+/–	Income tax expenses/income	1,157	1,216	586
+/–	Interest expenses / interest income	5,682	5,982	2,859
+/–	Currency-related change in assets/liabilities	-1,102	4,267	-4,127
=	**Cash flow from operating activities**	**44,893**	**43,266**	**13,945**
+	Proceeds from the disposal of tangible assets / intangible assets	138	381	30
–	Cash paid for investments in tangible assets/intangible assets	-47,965	-23,922	-9,459
=	**Cash flow from investing activities**	**-47,827**	**-23,541**	**-9,429**
+	Cash received from raising borrowings / bond issue	20,500	65,000	0
–	Cash paid for the redemption of borrowings	-5,561	-11,180	-2,814
–	Interest paid	-4,944	-5,982	-2,859
–	Income taxes paid/refunded	-310	-455	-290
=	**Cash flow from financing activities**	**9,685**	**47,383**	**-5,963**
	Change in cash and cash equivalents	6,751	67,108	-1,447
+	Currency-related change in cash and cash equivalents	115	519	424
+	Cash and cash equivalents at the beginning of the period	71,730	4,103	4,103
=	**Cash and cash equivalents at the end of the period**	**78,596**	**71,730**	**3,080**

Composition of cash and cash equivalents

	Jun. 30, 2021 kEUR	Dec. 31, 2020 kEUR	Jun. 30, 2020 kEUR
Cash *	91,887	91,028	27,584
Investments classified as current assets	650	653	657
Liabilities to banks agreed at short notice	-13,941	-19,951	-25,161
	78,596	**71,730**	**3,080**

* for information on the drawing restriction, please refer to the disclosures in the notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to June 30, 2021

	Subscribed capital	Capital reserves	Other profit reserves	Equity difference from currency conversion	Consolidated retained earnings	Equity
	EUR	EUR	EUR	EUR	EUR	EUR
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
Currency exchange differences	0.00	0.00	0.00	1,698,741.17	0.00	1,698,741.17
Consolidated net income January 1, 2020 to June 30, 2021	0.00	0.00	0.00	0.00	12,902,210.21	12,902,210.21
June 30, 2021	25,000,000.00	25,564.60	214,613.17	-12,856,427.26	60,118,619.76	72,502,370.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich
for the period ended June 30, 2021

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 2021, 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. The prior-year figures relate to the balance sheet for the period ended December 31, 2020, and to the income statement for the period from January 1, 2020, to June 30, 2020.

HHW is registered with 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 June 30, 2021, as fully consolidated companies:

No.	Company	Equity share	held by	Equity June 30, 2021	Result for the period
		%	No.	EUR	EUR
1	Homann Holzwerkstoffe GmbH, Munich			21,772	-5,311
2	HOMANIT Holding GmbH, Munich	100.00	1	103,239	31,148
3	Homanit GmbH & Co. KG, Losheim	100.00	2	21,006	7,145
4	Homanit Verwaltungsgesellschaft mbH Losheim	100.00	3	24	-13
5	Homanit France SARL, Schiltigheim	100.00	3	28	1
6	Homanit Polska Sp. z o.o., Spolka Kommandytowa, Karlino	99.99 0.01	2 7	48,005	8,283
7	Homanit Polska Sp. z o.o., Karlino	100.00	2	1,433	455
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,254	4
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	13,592	5,276
10	Homatech Polska Sp. z o.o., Karolina	100.00	6	208	-90
11	UAB Homanit Lietuva, Pagiriu	100.00	2	59,135	-317
12	HOPE Investment Sp. z o.o., Poznan	100.00	6	127	0

The annual results for nos. 2 and 7 also include corresponding investment income.

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 other profit 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 June 30, while income statements are generally translated at the average rate for the period from January 1 to June 30. The equity included in capital consolidation is translated at historical rates. Exchange rate differences from the translation of subscribed capital and of the profit/loss carried forward in subsequent consolidations are recognized at average rates as differences in equity resulting from currency conversion as are differences from the translation of the half-year results. Rate differences that 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 are also recognized as differences in equity resulting from currency conversion 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.

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.

Cash and cash equivalents 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 June 30 are recognized in **prepaid expenses**.

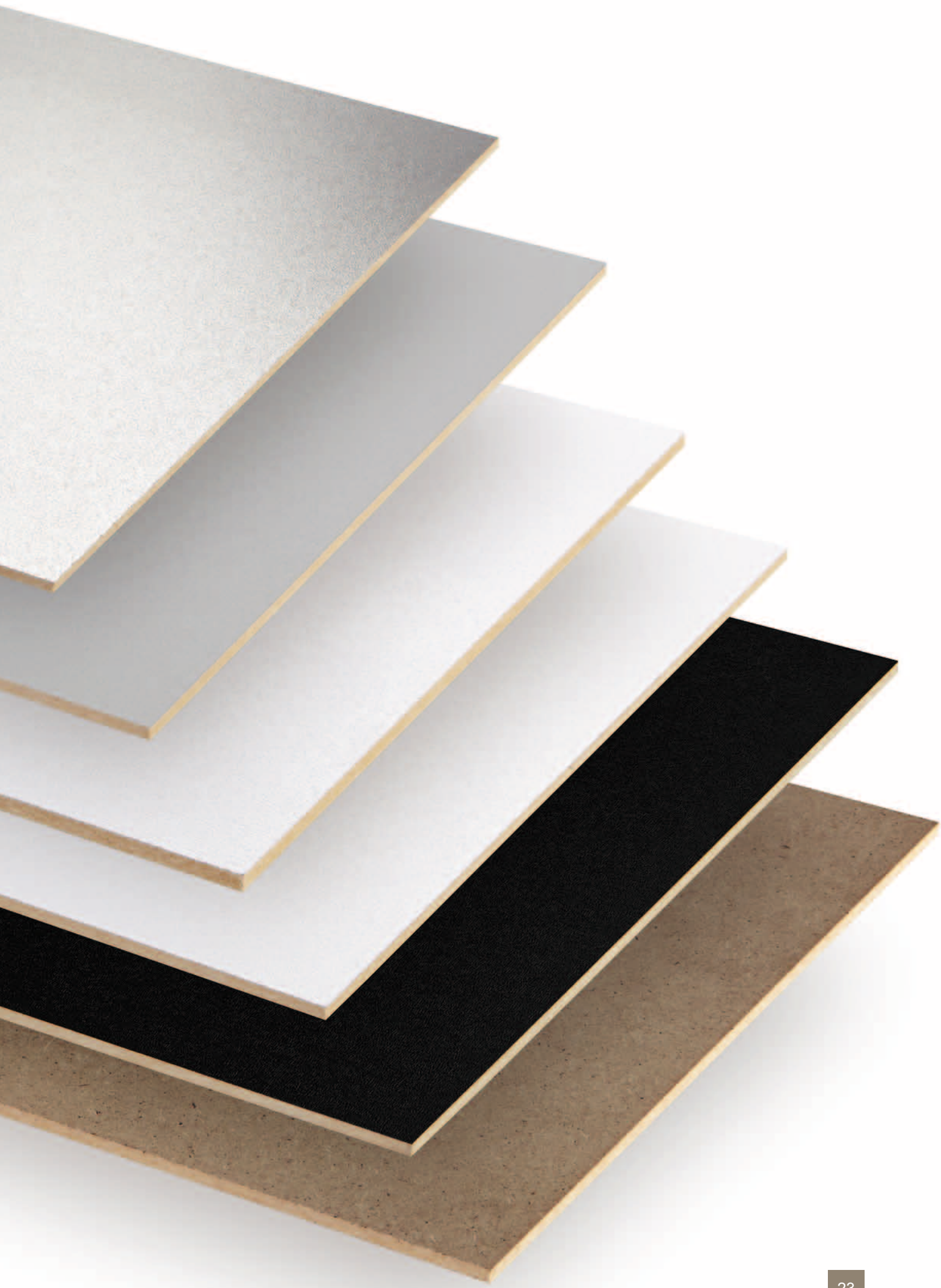
The right to elect to capitalize **deferred taxes** for the total tax relief is exercised. Deferred tax assets and liabilities are offset in the balance sheet. For details, please see the remarks in the notes to the balance sheet.

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 of the past seven years 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 1.45%.

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) Intangible assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Jan. 1, 2021 EUR	Reclassifications EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	June 30, 2021 EUR	Jan. 1, 2021 EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	June 30, 2021 EUR	June 30, 2021 EUR	Jan. 1, 2021 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	7,114,154.26	11,522.24	1,297,073.86	0.00	28,210.85	8,450,961.21	5,966,406.56	2,115,050.01	0.00	16,587.03	8,098,043.60	352,917.61	1,147,747.70
2. Advance payments made	164,092.40	0.00	1,062.00	0.00	0,00	165,154.40	0.00	0.00	0.00	0.00	0.00	165,154.40	164,092.40
	7,278,246.66	11,522.24	1,298,135.86	0.00	28,210.85	8,616,115.61	5,966,406.56	2,115,050.01	0.00	16,587.03	8,098,043.60	518,072.01	1,311,840.10
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	78,021,420.27	252,516.06	14,789,794.97	0.00	1,121,522.46	94,185,253.76	34,993,246.88	1,136,668.49	0.00	334,570.20	36,464,485.57	57,720,768.19	43,028,173.39
2. Technical equipment and machinery	191,566,559.25	2,332,696.12	810,544.06	-287,233.33	3,181,743.40	197,604,309.50	102,795,021.46	9,007,974.69	-199,710.29	1,667,393.13	113,270,678.99	84,333,630.51	88,771,537.79
3. Other property, plant and equipment	19,815,920.20	55,186.69	568,422.39	-72,619.26	225,421.01	20,592,331.03	12,767,438.45	1,454,236.75	-66,315.81	129,837.72	14,285,197.11	6,307,133.92	7,048,481.75
4. Advance payments made and work in progress	18,856,031.59	-2,651,921.11	30,498,277.52	-1,372.92	277,440.91	46,978,455.99	0.00	0.00	0.00	0.00	0.00	46,978,455.99	18,856,031.59
	308,259,931.31	-11,522.24	46,667,038.94	-361,225.51	4,806,127.78	359,360,350.28	150,555,706.79	11,598,879.93	-266,026,10	2,131,801.05	164,020,361.67	195,339,988.61	157,704,224.52
	315,538,177.97	0.00	47,965,174.80	-361,225.51	4,834,338.63	367,976,465.89	156,522,113.35	13,713,929.94	-266,026.10	2,148,388.08	172,118,405.27	195,858,060.62	159,016,064.62

b) Receivables, other assets, accrued and deferred items

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 2,682) and for deferred items in the amount of kEUR 613 (previous year: kEUR 707).

Significant items recognized in **other assets** include an investment in a limited partnership (kEUR 2,675; previous year: kEUR 2,675), tax refund claims amounting to kEUR 5,712 (previous year: kEUR 5,883) as well as receivables from factoring companies amounting to kEUR 8,643 (previous year: kEUR 6,923).

Accrued and deferred items primarily include the costs for processing loan applications, prepaid expenses from rental and leasing payments as well as insurance contributions for the time after June 30, 2021.

c) Other securities

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

	Jun. 30, 2021 kEUR	Dec. 31, 2020 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	0	3,827
Other fund shares	650	653
	650	4,480

d) Assets arising from the overfunding of pension obligations

Please refer to the explanations under item 6.f.

e) Cash holdings, bank deposits and cheques

Bank deposits and cheques in the amount of kEUR 26,190 are subject to a drawing restriction. A letter of credit has been granted to the contractor of the new production facilities to be built in Lithuania.

f) Equity

Subscribed capital, the capital reserve, other profit reserves, the difference in equity resulting from currency conversion and consolidated retained earnings are recognized as **equity**.

Pursuant to commercial register entries, the following shareholder relationships existed as of June 30, 2021:

	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 -14,555 to kEUR -12,856 due to the changes in the PLN/EUR exchange rate.

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

	EUR
Consolidated retained earnings - January 1, 2021	47,216,409.55
Consolidated net income - January 1, 2021 to June 30, 2021	12,902,210.21
Consolidated retained earnings - June 30, 2021	60,118,619.76

Amounts totalling kEUR 339 (previous year: kEUR 365) 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).

g) 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. They are discounted using the average market interest rate of the past ten years specified by Deutsche Bundesbank.

The calculation was based on the following assumptions:

	June 30, 2021
Interest rate at the beginning of the financial year	2.30%
Interest rate at the end of the financial year	2.09%
Anticipated wage and salary increases p.a.	0.00%
Expected pension increases p.a.	1.50%
Staff turnover p.a.	3.30%

As of June 30, 2021, an amount of kEUR 23 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 316 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 (1.45%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for the period from January 1, 2021 to June 30, 2021 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 210, 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 89, 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 650; previous year: kEUR 653) 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.

h) Liabilities

Liabilities have the following maturity structure:

June 30, 2021	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	total EUR
1. Bonds	0.00	0.00	78,000,000.00	78,000,000.00
2. Liabilities to financial institutions	30,265,994.10	95,498,200.07	12,739,111.75	138,503,305.92
3. Advance payments received	100,000.00	0.00	0.00	100,000.00
4. Trade payables	33,282,227.81	0.00	0.00	33,282,227.81
5. Other	7,075,875.61	221,862.23	0.00	7,297,737.84
	70,724,097.52	95,720,062.30	90,739,111.75	257,183,271.57

Dec. 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. Liabilities to financial institutions	36,293,568.29	98,871,762.58	12,408,906.62	147,574,237.49
3. Advance payments received	0.00	0.00	0.00	0.00
4. Trade payables	26,820,828.56	0.00	0.00	26,820,828.56
5. 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 company issued a new **bond** in the amount of EUR 65 million with an interest rate of 4.5% p.a. and a term until 2026. The value date was March 12, 2021. In May 2021, the new bond was increased by EUR 13 million to a total of EUR 78 million. 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. The bond thus consists of 78,000 notes in the principal amount of EUR 1,000.00 each. Interest is payable on September 12 of each year (beginning on September 12, 2022). The **bond** was placed on the Frankfurt/Main stock exchange with a 5.5-year term, maturing on September 12, 2026. It is unsecured and unsubordinated. Interest was recognized on an accrual basis by kEUR 1.068 as of June 30, 2021.

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 1,151 (previous year: kEUR 1,546) and wages outstanding in the amount of kEUR 1,875 (previous year: kEUR 1,804) as well as accrued interest under the bond issue in the amount of kEUR 1,068 (previous year: kEUR 1,715). Taxes accounted for kEUR 1.295 (previous year: kEUR 532) and social insurance contributions for kEUR 1,300 (previous year: kEUR 1,300).

i) 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 107 (previous year: kEUR 162), from losses carried forward in the amount of kEUR 0 (previous year: kEUR 400) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 67 (previous year: kEUR 78). Deferred tax liabilities of kEUR 466 (previous year: kEUR 797) 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

Revenues break down into domestic revenues of kEUR 35,862 (previous year: kEUR 30,449) and foreign revenues of kEUR 121,036 (previous year: kEUR 86,963). In the first half of 2021, the European Union accounted for kEUR 108,045 (previous year: kEUR 78,162) of the foreign revenues.

b) Other operating income

Other operating income essentially includes income from changes in exchange rates of kEUR 3,235 (previous year: kEUR 1,775), which was realized in full in the first half of 2021 and in the same period of the previous year. Income unrelated to the reporting period amounted to kEUR 21 (previous year: kEUR 268).

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 24,382 (previous year: kEUR 19,197) include expenses for old-age provisions of kEUR 180 (previous year: kEUR 124).

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

	June 30, 2021	June 30, 2020
White-collar employees	333	330
Blue-collar employees	1,215	1,167
Total	1,548	1,497

d) Depreciation and amortization

Depreciation and amortization include unscheduled depreciation on technical equipment and machinery in the amount of kEUR 3,924.

e) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 8,400 (previous year: kEUR 6,780), repair and maintenance costs as well as costs of performance in the amount of kEUR 4,480 (previous year: kEUR 4,217), administrative costs of kEUR 4,367 (previous year:

kEUR 4,737) and expenses from changes in exchange rates of kEUR 2,187 (previous year: kEUR 4,356). Expenses from changes in exchange rates in the amount of kEUR 1,601 (previous year: kEUR 1,207) were realized in the first half of 2021. In addition, the expenses for other taxes in the amount of kEUR 632 (previous year: kEUR 564) and the costs of purchase and sale of securities of kEUR 351 (previous year: kEUR 17) are reported. Expenses unrelated to the reporting period amounted to kEUR 39 (previous year: kEUR 78).

f) Financial result

Interest and similar income resulted in particular from the investment in securities and deposits in the amount of kEUR 418; negative interest (custodian fee for bank balances) in the amount of kEUR 87 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 81 (previous year: kEUR 4).

Interest expenses primarily include interest paid on the bond in the amount of kEUR 1,663 as well as interest on loans granted by the lending banks in the amount of kEUR 1,285. One-off costs totalling kEUR 2,638 were incurred in connection with the issue of the new bond. The discounting of non-current provisions resulted in expenses of kEUR 117 (previous year: kEUR 107). Further interest expenses result from leasing and factoring agreements.

g) Income taxes

This item contains corporation and trade tax expenses and income for the first half of 2021 in the amount of kEUR 1,022 (previous year: kEUR 312) as well as expenses from deferred taxes from the sale of fixed assets within the Group in the amount of kEUR 12 (previous year: kEUR 13). Tax loss carry-forwards were offset as of June 30, 2021; in the previous year, expenses of kEUR 261 were attributable to the utilization of tax loss carry-forwards.

8. Contingent liabilities and other financial obligations

No **contingent liabilities** existed as of June 30, 2021.

As of the balance sheet date, other **financial obligations** amounted to kEUR 13,249 (previous year: kEUR 11,562). These obligations involve rental, leasing and leasehold agreements.

There is also a liability from plant orders amounting to kEUR 50,322 (previous year: kEUR 10,678). To secure the payment claims, the drawing of existing liquid funds was restricted. Please refer to item 6.e. as well as item 10.

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 507 existed as of June 30, 2021, for which no provision was to be recognized since it is 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 occurred after the end of the first half of the year.

10. Other information

Cash flow statement

Cash and cash equivalents in the cash flow statement include cash subject to a drawing restriction. The restricted cash in the amount of kEUR 26,190 serves to fulfil the payment obligations from the order of the new production facilities to be built in Lithuania.

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.

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.

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 5 were made to the widow of a former Managing Director in the first half of 2021. The pension provision established for this purpose amounts to kEUR 20.

Auditor's fee

The fee recorded in the period from January 1 to June 30, 2021, in accordance with section 314 para. 1 no. 9 HGB relates to audit services in the amount of kEUR 119 (previous year: kEUR 132) and other certification services in the amount of kEUR 11.

Munich, September 27, 2021

Fritz Homann Ernst Keider Helmut Scheel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REVIEW REPORT

To Homann Holzwerkstoffe GmbH:

We have reviewed the consolidated interim financial statements, comprising the consolidated interim balance sheet, the consolidated interim profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement, the notes to the consolidated interim financial statements and the interim group management report of Homann Holzwerkstoffe GmbH for the financial year for the period of January 1, 2021 to June 30, 2021.

The preparation of the consolidated interim financial statements in accordance with the requirements of German commercial law applicable to consolidated financial statements and of the interim group management report in accordance with the principles of the German accounting standard No. 16 “Interim Financial Reporting” (DRS 16) applicable to the interim management reports is the responsibility of the Company’s management. Our responsibility is to issuea review report on the consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the consolidated interim financial statements have not been prepared, in material aspects, in accordance with the requirements of German commercial law or do not give a true and fair view of the net assets, financial position and results of operation in accordance with the German principles of proper accounting or that the interim group management report does not comply with the principles of DRS 16 to be applied to the interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review no matters have come to our attention that cause us to presume that the consolidated interim financial statements have not been prepared in material respects in accordance with the requirements of German commercial law or, do not give a true and fair view of the net assets, financial position and results of operation in accordance with the German principles of proper accounting, nor that the interim group management report does not comply with the principles of DRS 16 to be applied to the interim management reports.

In accordance with section 9 (2) of these General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of 1 January 2017, our liability for an individual case of damages caused by negligence, with the exception of damages resulting from injury to life, body or health, as well as for damages that constitute a duty of replacement by a producer pursuant to section 1 German Product Liability Act [Produkthaftungsgesetz - ProdHaftG] is limited to EUR 4 million. This limitation of liability shall apply to all addressees respectively third parties (hereinafter: “recipients”), which receive our report as intended by us. These recipients are joint and several creditors within the meaning of section 428 German Civil Code [Bürgerliches Gesetzbuch - BGB] and the amount of liability of EUR 4 million for each case of damage is only available once to all recipients together.

By taking note of the information contained in our review report, each recipient entitled hereto confirms to have taken note of the aforementioned restriction on (its) disclosure / (our) limitation of liability and acknowledges its validity in relation to us. In all other respects we do not assume any responsibility towards third parties not mentioned herein. Section 334 BGB, according to which objections arising from a contract may also be raised against third parties, shall not be waived also in this respect.

Viersen, September 27, 2021

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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