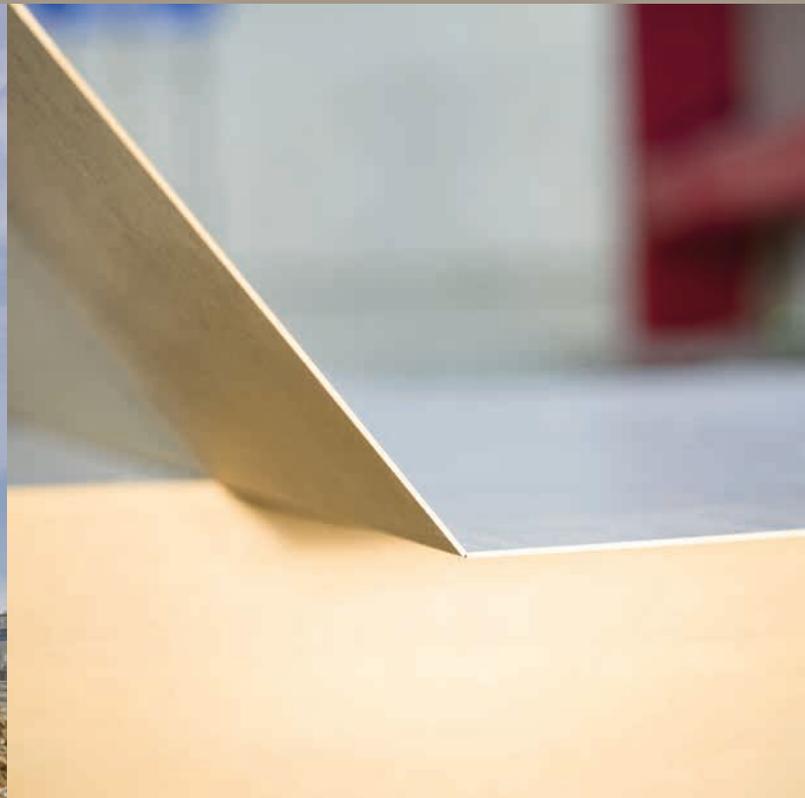


Annual Report 2022

Homann Holzwerkstoffe GmbH





Annual Report 2022

Homann Holzwerkstoffe GmbH

TABLE OF CONTENTS

Foreword	Page	4
Group management report	Page	6
Consolidated balance sheet	Page	16
Consolidated income statement	Page	18
Consolidated statement of cash flows	Page	19
Consolidated statement of changes in equity	Page	20
Notes to the consolidated financial statements	Page	22
Independent Auditor's report	Page	35



FOREWORD

Dear Reader,

We are looking back on a challenging year 2022. Shaken in the spring by the start of Russia's war against Ukraine, the year was marked by diverse macroeconomic distortions. These were mainly reflected in massive increases in energy and material costs, as well as rising interest rates, and posed new challenges for many industries.

The almost two-year boom in demand for HDF/MDF came to an end in the middle of the year, and we are now seeing a return to normality in our core markets. Due to the changed competitive situation, we were largely able to compensate for the loss of sales revenues caused by the war.

Revenues increased by a strong 17.9% year-on-year to EUR 394.9 million, driven by higher prices due to increased input costs for wood, glue and energy. All in all, we can be satisfied with the revenue performance given the difficult circumstances. Both domestic and export sales grew strongly, by 30.0% and 14.4% respectively.

On the earnings side, reported EBITDA stabilized at a high level of EUR 74.9 million (adjusted: EUR 75.0 million), but remained below the previous year's level of EUR 82.9 million (adjusted: EUR 82.7 million). The decrease is mainly due to the strong increase in material costs and the normalization of demand. Overall, we are satisfied with the Group's earnings performance in a challenging market environment.

In terms of expansion, we took an important strategic step with our joint venture to develop markets in North Africa. The construction of our new HDF/MDF plant in Sadat City, Egypt, has progressed to such an advanced stage that we expect to be able to start production in the second half of the year. The set-up of our fourth Homann Holzwerkstoffe plant in Vilnius, Lithuania, the Group's most important single investment for many years, is also making good progress. Production is currently scheduled to start in the third quarter of 2023. This means that two major plants will come on stream this year and start producing significant volumes next year.

We have also achieved good success in the context of our sustainability strategy, which was adopted last year as documented in the Group's first sustainability report. At our plant in Krosno, Poland, for example, we have replaced the coal-fired boiler used to run the plant with a biomass boiler, so that no fossil fuels are burned any more. This makes an important contribution to reducing our carbon emissions.

Looking ahead to 2023, we expect revenues to increase as prices remain high, but EBITDA to decline, not least due to start-up costs for the Lithuanian plant.

Our special thanks go to all employees of Homann Holzwerkstoffe Group, who have mastered these challenging times with great commitment and flexibility. We would also like to thank our business partners, customers and investors for the confidence placed in us.

Munich, April 28, 2023



Fritz Homann

Helmut Scheel

Gunnar Halbig

GROUP MANAGEMENT REPORT 2022

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to December 31, 2022

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. Spolka Sp. k. and Homanit Krosno Odrzanskie Sp. z o. o., produce at the Karlino and Krosno Odrzanskie 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 the fourth Homann Holzwerkstoffe plant in Lithuania, near the capital Vilnius, is progressing steadily. Production is scheduled to commence in the third quarter of 2023. Production at our joint venture in Egypt will also start in the coming months.

B. Economic report

1. Economic environment

Macroeconomic situation

In the reporting period, the world economy faced global uncertainties, with inflation reaching the highest level in several decades, at 8.8%. The COVID-19 pandemic no longer represented the biggest challenge for the world economy, although it still had an impact on the global economic trend. Instead, the world economy was primarily influenced by Russia's war against Ukraine, continuing inflationary pressure and the recurring lockdowns in China due to China's strict zero-COVID strategy. Because of the size of the Chinese economy and its importance for global supply chains, China's zero-COVID strategy adversely affected global trade and led to supply chain disruptions worldwide. Global economic growth amounted to 3.4% in the reporting period, compared to 6.2% in the previous year; except for the financial crisis and the year of the COVID-19 outbreak, this was the weakest economic growth since the turn of the millennium. With the gross domestic product growing by 3.5% (previous year: 5.3%), the eurozone recorded similarly low growth rates towards the end of the year.¹

The International Monetary Fund (IMF) assumes that economic output expanded by 2.7% in the industrialized countries in 2022 (2021: 5.4%). Germany slowed down compared to the previous year and grew by only 1.9% in 2022 according to IMF estimates (2021: 2.6%).¹ According to the ifo Institute for Economic

¹ IMF: World Economic Outlook, January 2023

Research, production in Germany was adversely affected by energy supply shortages, supply problems for raw materials, intermediate products and merchandise as well as the increasing skilled labour shortage, which also led to a weak gross domestic product and record-level inflation. In this context, the ifo Institute stated that the German economy suffered from huge supply shocks.²

In the reporting period, economic growth also slowed down in Lithuania, where Homann Holzwerkstoffe is building its fourth production facility. According to the IMF, Lithuania's gross domestic product increased by 1.8% in 2022, compared to 5.0% in 2021.³ Economic output in the emerging and developing countries increased by 3.9% in the reporting period (2021: 6.7%). For Poland, where Homann Holzwerkstoffe has two production plants, the IMF states a growth rate of 5.4% for 2022 (2021: 6.8%).⁴

Sector developments

In 2022 as a whole, the German furniture industry grew its revenues by 6.9% from EUR 17.6 billion in 2021 to EUR 18.8 billion. According to the Association of the German Furniture Industry (VDM), however, this revenue growth was essentially attributable to price effects. While revenues still increased at a doubledigit rate of 13.4% in the first half of 2022, they declined by 3.3% in the fourth quarter. As the year progressed, the furniture industry was increasingly affected by rising energy and material prices, impending restrictions of the gas supply and, in the fourth quarter, by the possibility of a hard recession, which weighed on market sentiment. In fall 2022, the situation was still viewed very pessimistically, but prospects improved towards the end of the year; according to the VDM, this was due, among other things, to government measures that contributed to greater planning certainty and helped to calm down the market.⁵

While business in Germany was still adversely affected by long COVID-related lockdowns in the previous year, according to the VDM, domestic revenues picked up by 5.5% in 2022 to EUR 12.5 billion. Growing by

9.8% to EUR 6.2 billion, exports again recorded higher growth, however. Important markets in which demand showed a positive trend in the reporting year included the USA and various markets in Europe as well as in the Near and Middle East.⁵

According to the VDM, kitchen furniture and other furniture are the most important segments of the German furniture industry in terms of revenues. Both segments expanded last year, as reflected in growth rates of 9.5% to EUR 6.2 billion for kitchen furniture and 8.0% to EUR 6.5 billion for other furniture. The various segments showed a consistently positive trend, except for mattress sales, which slumped by 23.1% to EUR 599.7 million; according to the VDM, however, this was essentially due to statistic effects resulting from shifts of production.⁵

The Central European market for MDF/HDF boards was characterized by a downward trend in the reporting period. According to industry information service EUWID, this was primarily due to continued weak demand in most sales segments.⁶ The decline in production in the MDF/HDF industry accelerated especially in the second half of the year, resulting in production volumes that were clearly below the prior year levels. According to EUWID and based on information from the Federal Statistical Office, production of HDF boards for sale was -14.8% or 1,226,622 cubic meters lower than in the previous year.⁷

The energy markets were hit hard by Russia's war against Ukraine in 2022. The natural gas supply situation in the reporting period was tight, and the resulting uncertainty sent energy prices rising sharply.⁸ The natural gas price on the Frankfurt Stock Exchange climbed from EUR 3.84 per MMBtu (million British terminal unit) at the beginning of the year to EUR 4.56 at the end of the year. This corresponds to an increase of 18.75%. The highest price during the year was EUR 9.83.⁹

² ifo Institute: Economic Forecast Winter 2022

³ IMF: World Economic Outlook, October 2022

⁴ IMF: World Economic Outlook, January 2023

⁵ EUWID Holz und Möbel, No. 8/2023

⁶ EUWID Holz und Möbel, No. 3/2023

⁷ EUWID Holz und Möbel, No. 1/2023

⁸ Destatis: Press release dated July 21, 2022

⁹ Frankfurt Stock Exchange: Natural gas price, closing prices



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 financial year, Homann Holzwerkstoffe Group generated revenues of EUR 394.9 million (previous year: EUR 334.9 million). Reported EBITDA amounted to EUR 74.9 million (previous year: EUR 82.9 million). As in the previous year, exchange rate fluctuations were of minor importance; adjusted for these effects, operating EBITDA stood at EUR 75.0 million (previous year: EUR 82.7 million). In relation to total output, this corresponds to an EBITDA margin of 18.3% (previous year: 24.6%).

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 have been of minor importance for the Group so far. Following the publication of Homann Holzwerkstoffe Group's first Sustainability Report in 2022, such a report will in future be published annually in the first half of the year for the past financial year. Accordingly, the Sustainability Report for the year 2022 will be published shortly.

3. Business trend and situation

Earnings position

Revenues increased by 17.9% from EUR 334.9 million in the previous year to EUR 394.9 million in the financial year. With declining sales volumes, it was mainly the higher price level since mid-2021 due to increased input costs for wood, glue, and energy that was responsible for the significant increase in sales. While domestic revenues rose by 30.0% from EUR 72.5 million to EUR 94.6 million, foreign revenues climbed 14.4% from EUR 262.4 million to EUR 300.3 million.

Other operating income in the amount of EUR 10.1 million (previous year: EUR 9.5 million) essentially includes exchange gains of EUR 6.1 million (previous year: EUR 4.8 million) as well as income from trading in air pollution permits and the sale of fixed assets of EUR 1.4 million (previous year: EUR 3.7 million).

The prices of wood, glue and energy temporarily increased quite considerably in the financial year and could therefore only partly be passed on in the form of higher sales prices. At 59.4%, the cost of materials as a percentage of total output was up by 10.2 percentage points on the previous year. At the same time, the personnel expense ratio declined from 15.0% in the previous year to 12.5% as a result of the much higher sales revenues. The average number of employees remained almost unchanged compared to the previous year at 1,563 (previous year: 1,570).

Other operating expenses rose from EUR 46.8 million to EUR 50.1 million. This was mainly influenced by freight and distribution costs, exchange losses and administrative costs, which increased by a total of EUR 7.4 million compared to the previous year, whereas repair and maintenance expenses were EUR 2.5 million lower.

At EUR 74.9 million, reported EBITDA stabilized at a high level but remained below the previous year's EUR 82.9 million. The decline is essentially attributable to a sharp rise in production costs.

Adjusted for one-time effects from exchange rate fluctuations, which were negligible in the past financial year and the previous year, operating EBITDA amounted to EUR 75.0 million, compared to EUR 82.7 million in the previous year. This good result exceeded the company's planning in a challenging environment.

The item interest and similar expenditure essentially includes interest expenses for the corporate bond and bank loans. Due to the non-recurrence of the previous year's one-time expenses of EUR 2.6 million incurred to refinance the bond, this item declined from EUR -10.4 million to EUR -9.4 million in spite of increased

financial liabilities. Expenses from associated companies and exchange losses on securities reduced the financial result by a total of EUR 2.7 million.

At the bottom line, a consolidated net profit of EUR 44.6 million was generated.

In the last Annual Report, an increase in revenues and a decline in EBITDA had been projected for the financial year 2022. These expectations have come true.

Assets position

Total assets increased noticeably by EUR 117.6 million from EUR 375.6 million in the previous year to EUR 493.2 million. Besides other effects, this is primarily attributable to investments in property, plant and equipment.

Thus, an amount of EUR 132.2 million (previous year: EUR 92.0 million) was invested in fixed assets, including EUR 100.6 million for advance payments and work in progress, mainly in Lithuania, and the share in Global MDF B.V. that was acquired in the amount of EUR 14.2 million. Taking into account additions and disposals, depreciation and exchange differences, fixed assets increased by a total of EUR 116.8 million from EUR 230.3 million to EUR 347.1 million.

Inventories were built up noticeably from EUR 36.1 million in the previous year to EUR 65.9 million as of December 31, 2022. This is due to several effects: On the one hand, the increased prices of wood and the deliberate build-up of the timber inventory are reflected in a larger raw materials stock; on the other hand, the inventory of finished goods was increased substantially to optimize production efficiency and reduce delivery times over the turn of the year. Receivables and other assets decreased from EUR 22.1 million to EUR 20.3 million.

Equity increased further to EUR 150.0 million (previous year: EUR 107.3 million), in particular due to the clearly positive consolidated net income for the year. As a result, the equity ratio improved to 30.4% (previous year: 28.6%) despite the significant increase in total assets. The difference in equity resulting from currency translation is almost exclusively attributable to translation 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 change in the equity ratio, equity is therefore adjusted for this item. This adjusted equity ratio stood at 33.5% as at the reporting date (previous year: 32.3%).

At EUR 14.5 million, provisions were EUR 3.6 million lower than in the previous year, whereas liabilities increased noticeably from EUR 249.6 million to EUR 324.1 million.

After refinancing and topping up the corporate bond in 2021, agreed term loans were partly drawn in Lithuania, a new investment loan was raised in Krosno and a loan to increase the financial flexibility was raised at Group level in 2022. At the same time, scheduled repayments reduced the financing balance. Trade payables increased from EUR 35.5 million to EUR 56.6 million. The existing current credit lines of EUR 53.4 million were utilized in the amount of EUR 14.3 million. Besides this, an amount of EUR 50.1 million from a term loan has not been called yet by the Lithuanian company.

Financial position

Cash flow from operating activities amounted to EUR 61.8 million in the financial year 2022 (previous year: EUR 86.7 million). This was offset by cash outflows from investing activities in the amount of EUR 137.9 million (previous year: EUR 87.0 million) and net cash inflows from financing activities of EUR 43.3 million (previous year: EUR 2.9 million). Investments include fixed asset investments in existing plants and the new plant as well as payments for the investment in associated companies. Cash inflows from new borrowings in the total amount of EUR 71.8 million were offset by repayments and interest paid in the amount of EUR 28.5 million.

As of December 31, 2022, the company had liquid funds and free securities in the amount of EUR 56.5 million (previous year: EUR 85.3 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 14.3 million (previous year: EUR 10.9 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 42.1 million (previous year: EUR 74.3 million).

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



C. Forecast, opportunity and risk report

1. Future developments

Macroeconomic developments

In view of the global uncertainties in the reporting year, the International Monetary Fund (IMF) projected economic growth of 2.7% for 2023 in its October 2022 Outlook, which was raised to 2.9% in January 2023. Growth is thus assumed to be below the level of 2022 (close to 3.4%), which is below the historical average (2000-2019) of 3.8%. On balance, the IMF continues to project economic risks and downward trends for 2023, but does not rule out positive developments resulting from stronger stimulus due to pent-up demand in many countries and a faster decline in inflation. According to IMF experts, most economies will attach priority to sustained disinflation in the face of sharp increases in the cost of living.^{10,11}

The IMF experts project low year-on-year growth of 1.2% for the industrialized countries, with the emerging and developing countries expected to grow by 4.0%, which would be more or less in line with the estimated growth in 2022 (3.9%). Economic growth of 0.7% is forecast for the eurozone. According to the IMF, Germany's GDP will grow by 0.1% in 2023, which means that economic output would more or less stagnate. Growth of 0.3% is projected for Poland, while Lithuania's economic output is expected to grow by 1.1%. Due to the currently exceptional and dynamic situation, the forecasts remain subject to high uncertainty.^{10,11}

Sector developments

The Statista Furniture Report assumes sales revenues of about EUR 751.2 billion for the global furniture market in 2022, while a market volume of EUR 904.2 billion is expected for 2027 – an annual growth rate of approx. 4.7%. According to the report, living room furniture is the largest market segment, while the highest regional revenues are projected for the USA in 2023.¹²

In its latest forecast, the Association of the German Furniture Industry projects sales revenues in Germany to reach the prior year level in 2023, with a subdued trend expected for the first half of the year and a successive recovery for the second half. This is mainly attributed to declining uncertainty among consumers and the easing of the energy markets.¹³

The Central European MDF/HDF market was faced with capacity utilization problems in 2022, which led to an increase in inventories. Demand for MDF/HDF products was limited due to capacity utilization problems among industrial customers, especially the laminate flooring industry, while demand from the furniture supply industry, which had previously declined, improved slightly in the second half of 2022. As most customers are still demanding price reductions, prices were again reduced by approx. EUR 5-10 per cubic meter in many segments in February. These developments are likely to continue in the coming months.¹⁴

¹⁰ IMF: World Economic Outlook, October 2022

¹¹ IMF: World Economic Outlook, January 2023

¹² Statista Consumer Market Outlook, Furniture Report 2022

¹³ Association of the German Furniture Industry, press release dated February 22, 2023

¹⁴ EUWID Holz und Möbel, No. 9/2022

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.

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. Risks to the Group's earnings also arise from possible cost increases.

While there were slight signs of recovery on the energy markets towards the end of 2022 and the gas supply situation, in particular, has eased – and is currently considered stable by the Bundesnetzagentur (German Federal Network Agency) – it is safe to assume that prices will remain susceptible to fluctuation in 2023, which could be reflected in higher costs, also at Homann Holzwerkstoffe Group.

The ongoing war in Ukraine, potential negative energy price trends and high inflation rates remain major factors of uncertainty for the economy. Material shortages may also persist in the near future and companies will continue to face high raw material prices. Continued fluctuations in the price of wood and other materials, such as glue, could result in higher costs for the Group. The enforceability of price increases to offset potential cost increases is influenced by demand and the competitive situation and cannot be estimated with sufficient certainty at this point in time.

In contrast to the first years of the COVID-19 pandemic, a noticeable recovery can be felt in the general public and the economy and there are currently no signs of a trend that could lead to renewed adverse economic effects in 2023. While local lockdowns and restrictions cannot be ruled out entirely, they are becoming increasingly unlikely.

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.

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 the shortage of skilled workers and/or the inflation trend lead to rising wage costs in Germany and especially also in Poland and Lithuania.

Financing risks exist in the event that the Group is unable to meet financial covenants in the future, variable interest rates increase noticeably or credit lines cannot be renewed upon expiration.

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

Management currently believes that the risks outlined above – individually and collectively – are not of significant relevance.

3. Outlook and strategic plans

All of the Group's plants displayed a good performance in the past financial year. In the first quarter of 2023, the market for thin fibreboards in the core countries supplied by the Group remained relatively robust. Overall, the impact of increased energy prices and inflation is expected to have a dampening effect on consumers' purchasing power and, hence, on demand in the financial year 2023.

In view of the general increase in prices, we project revenues to continue to grow in the financial year 2023, but expect EBITDA to decline to what will still be a good profitability level, also due to start-up costs yet to be incurred for the Lithuanian plant. After the start-up of the plant in Lithuania and the joint venture in Egypt in 2023, we expect these investments to make positive earnings contributions as of 2024.

Munich, April 27, 2023



Fritz Homann

Helmut Scheel

Gunnar Halbig



CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of December 31, 2022

ASSETS

	Item Comment	Dec. 31, 2022 EUR	Dec. 31, 2021 EUR
A. Fixed assets			
I. Intangible assets			
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets	6.a.	642,122.31	326,452.43
2. Advance payments made		89,343.40	189,154.40
		<u>731,465.71</u>	<u>515,606.83</u>
II. Tangible assets			
1. Properties, rights equivalent to real property and structures including structures on third-party properties	6.a.	54,809,825.78	58,865,454.09
2. Technical equipment and machinery		99,362,780.27	88,813,732.55
3. Other property, plant and equipment		17,044,225.13	6,101,626.93
4. Advance payments made and work in progress		162,779,791.03	75,965,241.78
		<u>333,996,622.21</u>	<u>229,746,055.35</u>
III. Financial assets			
Shares in associated companies	6.a.	12,407,417.00	0.00
		<u>347,135,504.92</u>	<u>230,261,662.18</u>
B. Current assets			
I. Inventories			
1. Raw materials and supplies		42,925,036.43	26,950,831.46
2. Unfinished goods		6,878,367.71	3,204,218.32
3. Finished goods and merchandise		15,921,052.83	5,870,410.95
4. Advance payments made		147,232.96	98,053.95
		<u>65,871,689.93</u>	<u>36,123,514.68</u>
II. Receivables and other assets			
1. Trade receivables	6.b.	5,891,063.88	2,990,461.71
2. Other assets		14,442,252.36	19,088,713.80
		<u>20,333,316.24</u>	<u>22,079,175.51</u>
III. Investments classified as current assets			
	6.c.	5,928,363.81	15,710,703.91
IV. Cash holdings, bank deposits and cheques			
		<u>50,533,438.92</u>	<u>69,575,204.42</u>
		<u>142,666,808.90</u>	<u>143,488,598.52</u>
C. Accrued items			
	6.b.	3,400,174.26	1,873,075.44
		<u>493,202,488.08</u>	<u>375,623,336.14</u>

		LIABILITIES	
	Item Comment	Dec. 31, 2022 EUR	Dec. 31, 2021 EUR
A. Equity			
	6.d.		
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. Difference in equity resulting from currency translation		-15,790,081.41	-13,931,513.73
V. Consolidated retained earnings		140,520,929.88	95,954,619.58
		<u>149,971,026.24</u>	<u>107,263,283.62</u>
B. Special item			
	6.e.	3,589,015.52	0.00
C. Provisions			
	6.f.		
1. Provisions for pensions and similar obligations		3,848,114.00	3,494,739.00
2. Provisions for taxes		4,617,196.00	4,420,159.00
3. Other provisions		6,063,194.23	10,186,404.00
		<u>14,528,504.23</u>	<u>18,101,302.00</u>
D. Liabilities			
	6.g.		
1. Bonds		78,000,000.00	78,000,000.00
2. Liabilities to financial institutions		183,594,385.07	129,820,720.09
3. Advance payments received		100,000.00	100,000.00
4. Trade payables		56,561,288.35	35,517,496.83
5. Other liabilities		5,833,568.59	6,210,327.40
		<u>324,089,242.01</u>	<u>249,648,544.32</u>
E. Accrued items			
		602,423.08	50,206.20
F. Deferred tax liabilities			
	6.h.	422,277.00	560,000.00
		<u>493,202,488.08</u>	<u>375,623,336.14</u>

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to December 31, 2022

	Item Comment	2022 EUR	2021 EUR
1. Revenues	7.a.	394,866,885.55	334,900,120.07
2. Increase/reduction in inventory of finished and unfinished goods		13,843,676.05	470,280.70
3. Other own work capitalized		836,022.21	1,125,076.70
4. Other operating income	7.b.	10,101,342.36	9,464,154.84
		419,647,926.17	345,959,632.31
5. Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-214,830,042.69	-142,364,289.33
b) Cost of purchased services		-28,493,330.19	-23,326,569.02
		-243,323,372.88	-165,690,858.35
Gross profit		176,324,553.29	180,268,773.96
6. Expenses for personnel	7.c.		
a) Wages and salaries		-43,149,599.18	-42,640,709.05
b) Social security, pensions and other benefits		-8,133,484.41	-7,939,567.27
		-51,283,083.59	-50,580,276.32
7. Depreciation and amortization of intangible and tangible fixed assets		-16,834,220.56	-21,036,504.61
8. Other operating expenses	7.d.	-50,147,333.75	-46,793,426.48
Operating result		58,059,915.39	61,858,566.55
9. Expenses from shares in associated companies		-1,663,532.59	0.00
10. Other interest and similar income		690,371.46	532,792.81
11. Write-down of investments classified as current assets		-1,078,607.12	-81,912.97
12. Interest and similar expenditure		-9,419,326.43	-10,404,098.99
Financial result	7.e.	-11,471,094.68	-9,953,219.15
13. Income taxes	7.f.	-2,022,510.41	-3,167,137.37
14. Earnings after taxes / consolidated net income		44,566,310.30	48,738,210.03

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to December 31, 2022

	2022 kEUR	2021 kEUR
Consolidated net income	44,566	48,738
Depreciation of assets	16,834	21,037
Profit/loss from the disposal of fixed assets	302	-4,351
Other non-cash expenses/income	1,514	360
Increase/decrease in inventories	-29,748	-3,043
Increase/decrease in trade receivables	-2,901	-1,439
Increase/decrease in other assets	3,119	3,788
Increase/decrease in special item	3,589	0
Increase/decrease in provisions	-4,122	5,234
Increase/decrease in trade payables	21,044	8,696
Increase/decrease in other liabilities	-101	-866
Income tax expenses/income	2,023	3,167
Income tax payments	-1,688	-705
Interest expenses / interest income	6,394	5,859
Currency-related change in assets/liabilities	938	175
Cash flow from operating activities	61,763	86,650
Interest received	690	532
Proceeds from the disposal of tangible assets/intangible assets	7,777	4,524
Cash paid for investments in tangible assets/intangible assets	-132,176	-92,008
Payments to acquire long-term financial assets	-14,214	0
Cash flow from investing activities	-137,923	-86,952
Cash received from raising borrowings	71,798	2,500
Cash received from the new corporate bond	0	78,000
Cash paid for the redemption of borrowings	-21,427	-11,249
Cash paid for the redemption of the previous corporate bond	0	-60,000
Interest paid	-7,084	-6,391
Cash flow from financing activities	43,287	2,860
Change in cash and cash equivalents	-32,873	2,558
Change in cash and cash equivalents from currency conversion	647	51
Cash and cash equivalents at the beginning of the period	74,339	71,730
Cash and cash equivalents at the end of the period	42,113	74,339
Composition of cash and cash equivalents:		
	Dec. 31, 2022 kEUR	Dec. 31, 2021 kEUR
Cash	50,534	69,575
Investments classified as current assets	5,928	15,711
Liabilities to banks agreed at short notice	-14,349	-10,947
	42,113	74,339

Interest income received was reported in cash flow from investing activities for the first time in 2022; the presentation for the previous year was adjusted accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2021 to December 31, 2022

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Difference in equity resulting from currency translation EUR	Consolidated retained earnings EUR	Equity EUR
January 1, 2021	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	623,654.70	0.00	623,654.70
Consolidated net income	0.00	0.00	0.00	0.00	48,738,210.03	48,738,210.03
December 31, 2021	25,000,000.00	25,564.60	214,613.17	-13,931,513.73	95,954,619.58	107,263,283.62
Currency exchange differences	0.00	0.00	0.00	-1,858,567.68	0.00	-1,858,567.68
Consolidated net income	0.00	0.00	0.00	0.00	44,566,310.30	44,566,310.30
December 31, 2022	25,000,000.00	25,564.60	214,613.17	-15,790,081.41	140,520,929.88	149,971,026.24



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to December 31, 2022

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of December 31, 2022 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 sec-

tions 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

a) Fully consolidated entities

Aside from Homann Holzwerkstoffe GmbH, the following eleven subsidiaries were included in the con-

solidated financial statements as of December 31, 2022 as fully consolidated companies:

No. Company	Equity share	Held by	Equity Dec. 31, 2022	Net profit/loss
	%	No.	kEUR	kEUR
1 Homann Holzwerkstoffe GmbH, Munich			57,187	3,946
2 HOMANIT Holding GmbH, Munich	100.00	1	108,422	12,915
3 HOMANIT GmbH & Co. KG, Losheim	100.00	2	24,552	10,691
4 HOMANIT Verwaltungsgesellschaft mbH Losheim	100.00	3	43	3
5 Homanit France SARL, Schiltigheim	100.00	3	30	1
6 Homanit Polska Sp. z o.o., Spolka Kommandytowa, Karlino	99.99 0.01	2 7	86,697	29,040
7 Homanit Polska Sp. z o.o., Karlino	100.00	2	1,264	96
8 Homatrans Sp. z o.o., Karlino	100.00	6	1,327	72
9 Homanit Krosno Odrzanskie Sp. z o.o., Krosno	100.00	2	46,235	20,093
10 Homatech Polska Sp. z o.o., Karlino	100.00	6	378	89
11 UAB Homanit Lietuva, Pagiriu	100.00	2	54,561	-3,540
12 HOPE Investment Sp. z o.o., Poznan	100.00	6	35	-59

b) Associated companies

Global MDF Industries B.V., Amsterdam, and its subsidiaries are included in the consolidated financial statements of Homann Holzwerkstoffe GmbH as associated company on the basis of consolidated financial statements in accordance with section 311 HGB. On May 10, 2022, HHW initially acquired a 16.2% interest in Global MDF Industries B.V. Another 10.8% of the shares are to be acquired by HHW in the future. First-time consolidation resulted in a difference on the assets side of kEUR 8,095, which is reported as goodwill in the carrying amount of the shares in asso-

ciated companies and is amortized over a period of five years using the straight-line method. The expansion of the site, the start of production and the continued successive expansion of capacity and value creation will take place over the next five years. Goodwill was incurred for the successive full entry into this new market. We therefore consider the amortization of goodwill over five years for appropriate. For the period from May 10 to December 31, 2022, the amortization was made on a pro rata temporis basis at kEUR 1,074.

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 annu-

al 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. In accordance with DRS 26.87e, the investment in the associated company is included without adjusting the different accounting policies of the financial statements prepared to IFRS. The basis for reporting the change in the equity value in the consolidated income statement is the result after income taxes of the associated company, before taking into account other comprehensive income (OCI).

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 accor-

ding 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. Most of the receivables from third parties are subject to a factoring agreement with del credere arrangements. 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 at the reporting date in accordance with section 256a HGB.

Prepaid expenses include expenses that are attributable to later periods.

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 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 1.44%.

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 at the balance sheet date, foreign currency liabilities are measured at the average spot exchange rate, taking into account the realization, imparity and cost principles if the remaining term exceeds one year.

Deferred income is recognized at nominal value. This is income attributable to the period after December 31.

6. Notes to the consolidated balance sheet

a) Fixed assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Date	Reclassi-	Additions	Disposals	Currency	Date	Date	Additions	Disposals	Currency	Date	Date	Date
	Jan. 1, 2022	fications	EUR	EUR	exchange	Dec. 31, 2022	Jan. 1, 2022	EUR	EUR	exchange	Dec. 31, 2022	Dec. 31, 2022	Jan. 1, 2022
	EUR	EUR	EUR	EUR	differences	EUR	EUR	EUR	EUR	differences	EUR	EUR	EUR
I. Intangible assets													
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets	8,572,466.10	132,970.25	248,441.61	-780,810.44	-42,548.28	8,130,519.24	8,246,013.67	60,709.29	-780,813.79	-37,512.24	7,488,396.93	642,122.31	326,452.43
2. Advance payments made	189,154.40	-165,154.40	65,343.40	0.00	0.00	89,343.40	0.00	0.00	0.00	0.00	0.00	89,343.40	189,154.40
	8,761,620.50	-32,184.15	313,785.01	-780,810.44	-42,548.28	8,219,862.64	8,246,013.67	60,709.29	-780,813.79	-37,512.24	7,488,396.93	731,465.71	515,606.83
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	96,096,883.53	1,936,508.10	1,342,212.11	-4,369,345.66	-1,086,520.69	93,919,737.39	37,231,429.44	2,338,737.60	-119,501.47	-340,753.96	39,109,911.61	54,809,825.78	58,865,454.09
2. Technical equipment and machinery	205,623,201.40	9,637,329.73	18,235,735.39	-4,443,816.80	-3,280,476.89	225,771,972.83	116,809,468.85	12,290,222.52	-964,428.17	-1,726,070.64	126,409,192.56	99,362,780.27	88,813,732.55
3. Other property, plant and equipment	20,288,148.63	1,557,594.23	11,665,035.84	-505,435.79	-209,095.48	32,796,247.43	14,186,521.70	2,144,551.15	-446,338.56	-132,711.99	15,752,022.30	17,044,225.13	6,101,626.93
4. Advance payments made and work in progress	75,965,241.78	-13,099,247.91	100,619,227.06	-291,031.66	-414,398.24	162,779,791.03	0.00	0.00	0.00	0.00	0.00	162,779,791.03	75,965,241.78
	397,973,475.34	32,184.15	131,862,210.40	-9,609,629.91	-4,990,491.30	515,267,748.68	168,227,419.99	16,773,511.27	-1,530,268.20	-2,199,536.59	181,271,126.47	333,996,622.21	229,746,055.35
III. Financial assets													
Shares in associated companies	0.00	0.00	14,213,967.59	-1,806,550.59	0.00	12,407,417.00	0.00	0.00	0.00	0.00	0.00	12,407,417.00	0.00
	406,735,095.84	0.00	146,389,963.00	-12,196,990.94	-5,033,039.58	535,895,028.32	176,473,433.66	16,834,220.56	-2,311,081.99	-2,237,048.83	188,759,523.40	347,135,504.92	230,261,662.18

The shares in associated companies comprise the goodwill resulting from first-time consolidation taking into account the depreciation from first-time consolidation of Global MDF Industries B.V., Amsterdam. The item also includes the pro rata equity capital. Please refer to the comments under 2.b. and 7.e. in these notes.

b) Receivables, other assets, accrued and deferred items

As of December 31, 2022, receivables and other assets had no remaining terms of more than one year. In the previous year, other assets included items in the amount of kEUR 2,857 with a remaining term of more than one year.

Material items recognized in **other assets** include tax refund claims amounting to kEUR 6,777 (previous year: kEUR 7,400), receivables from factoring companies amounting to kEUR 4,189 (previous year: kEUR 7,432) as well as a plant intended for resale amounting to kEUR 2,264 (previous year: kEUR 1,235). As of December 31, 2021, this item also included an investment in a limited partnership in the amount of kEUR 2,846.

Accrued and deferred items primarily include the costs for processing loan agreements, prepaid expenses from rental and leasing payments as well as insurance contributions for the time after December 31, 2022.

c) Other securities

Various securities (shares, fund shares as well as fixed-interest securities), which are valued at the lower of cost or market price, are reported as investments classified as current assets unless the stock exchange or market price was lower.

d) 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, 2022:

	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 badwill in the amount of kEUR 193. Differences on the liabilities side from first-time consolidation relate to HOPE Investment Sp. z o.o. (kEUR 111), Homatrans Sp.z o.o. (kEUR 80) and HOMANIT Verwaltungs GmbH (kEUR 2). They arose exclusively from retained earnings from the period prior to initial consolidation and are therefore recognized in equity. If the shares in these companies are sold, the differences on the liabilities side are reversed to increase profits.

The **difference in equity resulting from currency translation** changed from kEUR -13,932 to kEUR -15,790, mainly 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, 2022	95,954,619.58
Consolidated net income	44,566,310.30
Consolidated retained earnings as of December 31, 2022	140,520,929.88

Amounts totalling kEUR 206 (previous year: kEUR 299) 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).

e) Special item

In the financial year, the Group received grants for sustainability-related research projects (kEUR 420) as well as for the promotion of investments and the creation of permanent jobs (kEUR 3,239). Based on the funding conditions, they are released using the straight-line method over the term of four and five years, respectively.

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, 2022
Interest rate at the beginning of the financial year	1.87%
Interest rate at the end of the financial year	1.78%
Anticipated wage and salary increases p.a.	0.00%
Expected pension increases p.a.	2.20%
Staff turnover p.a.	3.30%

As of December 31, 2022, an amount of kEUR 13 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 193 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 (1.44%) had been applied.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2022 as well as for previous years.

Other provisions primarily involve obligations to employees (e.g. vacations, profit shares, overtime, contributions to professional associations), warranty and bonus obligations to customers, the cost of preparing and auditing the separate and consolidate financial statements as well as imminent losses from pending transactions and contingent liabilities. Provisions were also established for maintenance work on technical equipment and machinery that was not carried out in the financial year 2022.

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 165, were netted out with plan assets at fair value, in the amount of kEUR 86. Consequently, a shortfall of kEUR 79 is shown under other provisions.

Securities are measured based on the strict lower of cost or market principle; securities which are not netted out (kEUR 862; previous year: kEUR 863) 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, 2021	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	Total EUR
1. Bonds	0.00	78,000,000.00	0.00	78,000,000.00
2. Advance payments received	31,484,379.05	97,996,341.04	340,000.00	129,820,720.09
3. Liabilities to financial institutions	100,000.00	0.00	0.00	100,000.00
4. Trade payables	35,517,496.83	0.00	0.00	35,517,496.83
5. Other	6,210,327.40	0.00	0.00	6,210,327.40
	73,312,203.28	175,996,341.04	340,000.00	249,648,544.32

December 31, 2022	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	Total EUR
1. Bonds	0.00	78,000,000.00	0.00	78,000,000.00
2. Advance payments received	45,156,218.09	134,240,121.98	4,198,045.00	183,594,385.07
3. Liabilities to financial institutions	100,000.00	0.00	0.00	100,000.00
4. Trade payables	56,561,288.35	0.00	0.00	56,561,288.35
5. Other	5,833,568.59	0.00	0.00	5,833,568.59
	107,651,075.03	212,240,121.98	4,198,045.00	324,089,242.01

The **bond** consists of 78,000 notes of EUR 1,000.00 each. The interest rate is 4.5% p.a. Interest is payable on September 12 of each year. 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 1,067 as of December 31, 2022.

Liabilities to financial institutions are secured by land charges (Grundschulden) on corporate properties and by security assignments relating to purchased machinery and inventories. In addition, there are liens on tangible fixed assets 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 wages outstanding in the amount of kEUR 1,864 (previous year: kEUR 1,896) as well as accrued interest under the bond issue in the amount of kEUR 1,067 (previous year: kEUR 1,067). Taxes accounted for kEUR 697 (previous year: kEUR 709) and social insurance

contributions for kEUR 1,438 (previous year: kEUR 1,344).

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 106 (previous year: kEUR 150), 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 31 (previous year: kEUR 54). Deferred tax liabilities of kEUR 558 (previous year: kEUR 764) 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 in the previous year, tax loss carry-forwards were 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. Tax rates of between 14% and 25% were used.

7. Notes to the income statement

a) Revenues

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

	2022 kEUR	2021 kEUR
Germany	94,562	72,506
European Union	282,177	232,854
Other foreign countries	18,127	29,540
	394,866	334,900

b) Other operating income

The main item recognized in other operating income were currency exchange gains of kEUR 6,119 (previous year: kEUR 4,787), of which an amount of kEUR 5,379 was realized in the financial year 2022. An amount of kEUR 346 of other operating income relates to previous years. Trading in air pollution permits and the sale of fixed assets resulted in income of kEUR 1,383. In addition, the Group generated income from the reversal of provisions in the amount of kEUR 363.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 51,283 (previous year: kEUR 50,580) include expenses for old-age provisions of kEUR 251 (previous year: kEUR 245). 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):

	2022	2021
White-collar employees	372	345
Blue-collar employees	1,191	1,225
Total	1,563	1,570

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 19,707 (previous year: kEUR 15,984), repair and maintenance costs as well as costs of performance in the amount of kEUR 10,727 (previous year: kEUR 13,200), administrative costs of kEUR 11,415 (previous year: kEUR 9,329) and currency exchange losses of kEUR 6,233 (previous year: kEUR 4,623). In the financial year 2022, the currency exchange losses were fully realized. Besides this, other tax expenses in the amount of kEUR 1,333 (previous year: kEUR 1,311) are also reported.

e) Financial result

Interest and similar income resulted in particular from investments in a limited liability company as well as from the investment in securities and deposits in the amount of kEUR 751; negative interest (custodian fee for bank balances) in the amount of kEUR 61 was offset against it.



The **amortization of investments classified as current assets** relates to write-downs on investments classified as current assets in the amount of kEUR 1,079 (previous year: kEUR 82).

Expenses from shares in associated companies relate to Global MDF B.V. They are composed of the amortization of the difference from first-time consolidation of kEUR 1,074 and subsequent consolidation of kEUR 590. The exchange differences resulting from subsequent consolidation in the amount of kEUR 143 were recognized in the difference in equity resulting from currency translation.

Interest expenses primarily include interest on the bond as well as interest on loans from the lending banks in the amount of kEUR 7,256, interest from leasing and factoring in the amount of kEUR 1,187, processing fees for loan applications and the costs of refinancing the bond in the amount of kEUR 995. The compounding of non-current provisions resulted in expenses of kEUR 114 (previous year: kEUR 238). Income of kEUR 311 resulted from the micro-hedge against interest rate risks.

f) Income taxes

This item breaks down as follows:

	2022 kEUR	2021 kEUR
Deferred taxes resulting from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet	-161	379
Trade tax	1,695	2,097
Deferred taxes from consolidation	593	667
Corporate income tax from previous years	24	24
	-128	0
	2,023	3,167

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, other financial obligations and factoring-based financing

The parent company has assumed a directly enforceable maximum amount guarantee of EUR 85 million for all claims of IKB Deutsche Industriebank AG against HOMANIT Holding GmbH. Homann Holzwerkstoffe GmbH has issued a counter-guarantee in the amount of EGP 238,599,000 (equivalent to kEUR 9,025 as of December 31, 2022) to its joint venture partner, EKH S.A.E., Egypt, as collateral for financial liabilities. Based on the current economic situation, claims under the counter-guarantee are not expected.

As at the balance sheet date, other **financial obligations** amounted to kEUR 12,449 (previous year: kEUR 12,724). These obligations involve rental, leasing and leasehold agreements. There is also a liability from plant orders amounting to kEUR 79,363 (previous year: kEUR 64,667).

An underwriting agreement exists with two credit institutions, as well as an associated agreement concern-

ing financial instruments for hedging against interest rate risks. The transaction is a micro-hedge. A negative market value of kEUR 442 existed as of December 31, 2022 for which no provision was to be recognized as it is de facto 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.

Factoring agreements with del credere arrangements (true factoring) for trade receivables exist for financing purposes as well as to improve receivables management and to limit bad debt risks. As of December 31, 2022, the factoring company had accepted receivables in the amount of kEUR 27,538 and paid out kEUR 23,420 in return.

9. Post-balance sheet events

No events of particular importance occurred after the end of the financial year.

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 sections 264b and 264 para. 3 HGB (German Commercial Code)

HOMANIT GmbH & Co. KG, Losheim, and HOMANIT Holding GmbH, Munich, were included in the consolidated financial statements of Homann Holzwerkstoffe GmbH and make use of the exemption provided by sections 264b and 264 para. 3 of the German Commercial Code (HGB) with regard to the disclosure of their financial statements and the waiver of the preparation of a management report.

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 Helmut Scheel**,
Commercial Managing Director, Germering,
- **Mr Gunnar Halbig**,
Technical Managing Director, Paderborn
(since September 15, 2022),
- **Mr Ernst Keider**,
Technical Managing Director, Saarlouis
(until September 15, 2022).

No direct advance payments or loans were granted to members of the management; no contingent liabilities were assumed, either. The non-disclosure clause pursuant to section 286 para. 4 HGB is applied.

Fees

The fees recognized as expenses in the financial year 2022 pursuant to section 314 para. 1 No. 9 HGB relate to auditing services (kEUR 152) and other certification services (kEUR 8).

Munich, April 27, 2023

Fritz Homann

Helmut Scheel

Gunnar Halbig



INDEPENDENT AUDITOR'S REPORT

To the Homann Holzwerkstoffe GmbH, München

Audit Opinions

We have audited the consolidated financial statements of Homann Holzwerkstoffe GmbH, München, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 to 31 December 2022, 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 2022 to 31 December 2022.

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 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 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 comprises the remaining parts of 2022 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 on 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.

[Note: This document is a convenience translation of the German original.
The original German language document is the authoritative version.]

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 (i.e., fraudulent financial reporting and misappropriation of assets) 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.

[Note: This document is a convenience translation of the German original.
The original German language document is the authoritative version.]

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 the risk of not detecting a material misstatement 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.

[Note: This document is a convenience translation of the German original.
The original German language document is the authoritative version.]

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, 27 April 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Michael B. Schröder
Wirtschaftsprüfer
[German Public Auditor]

Anke Hahn
Wirtschaftsprüferin
[German Public Auditor]

Homann Holzwerkstoffe GmbH
Gustav-Freytag-Straße 12
81925 Munich

Phone: +49 (0) 89/99 88 69 0
Fax: +49 (0) 89/99 88 69 21

E-mail: info@homanit.org