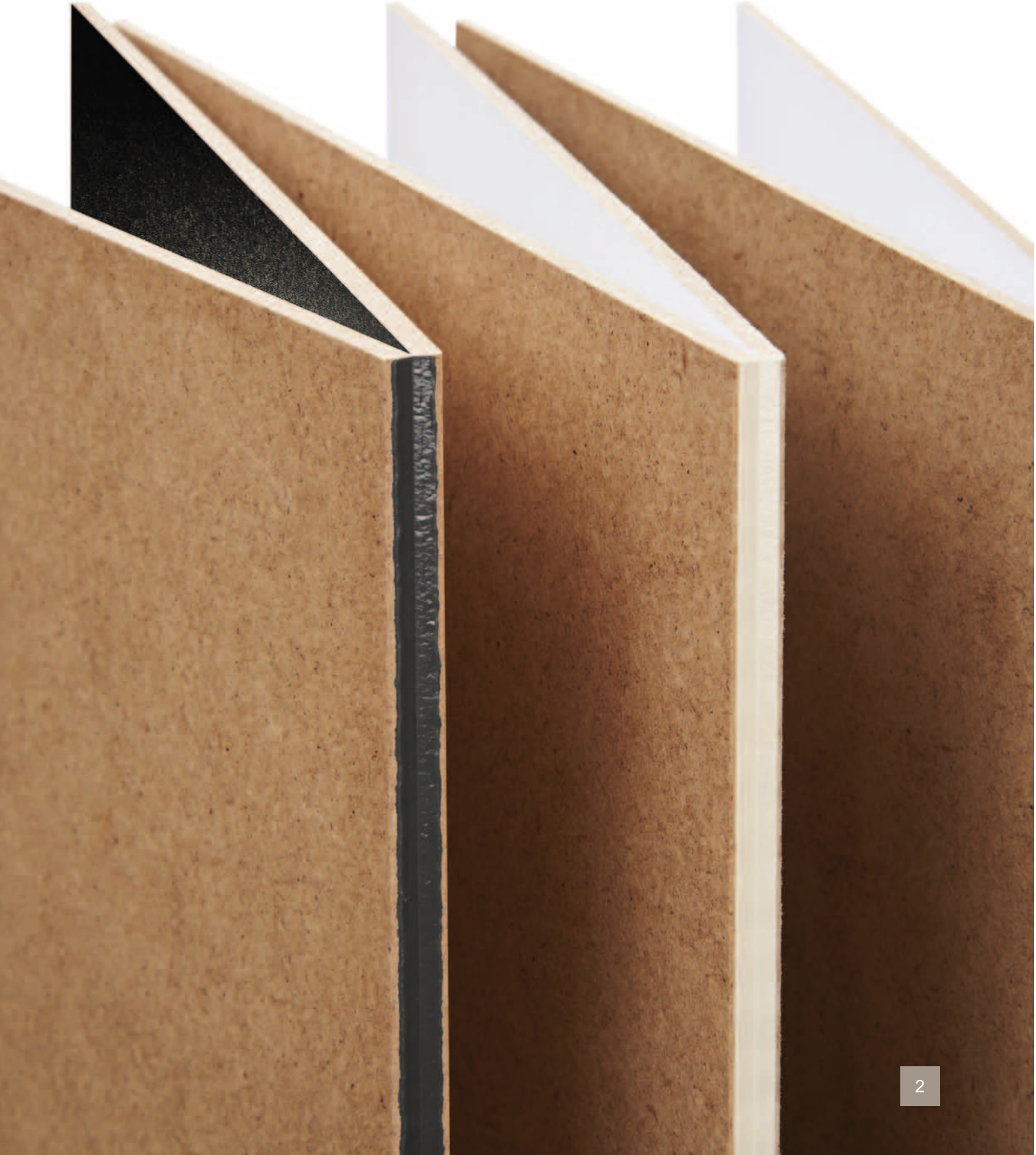
HOMANN
HOLZWERKSTOFFE

Interim Group Report June 30, 2022
Homann Holzwerkstoffe GmbH



Interim Group Report
Homann Holzwerkstoffe GmbH

for the period from January 1, 2022 to June 30, 2022

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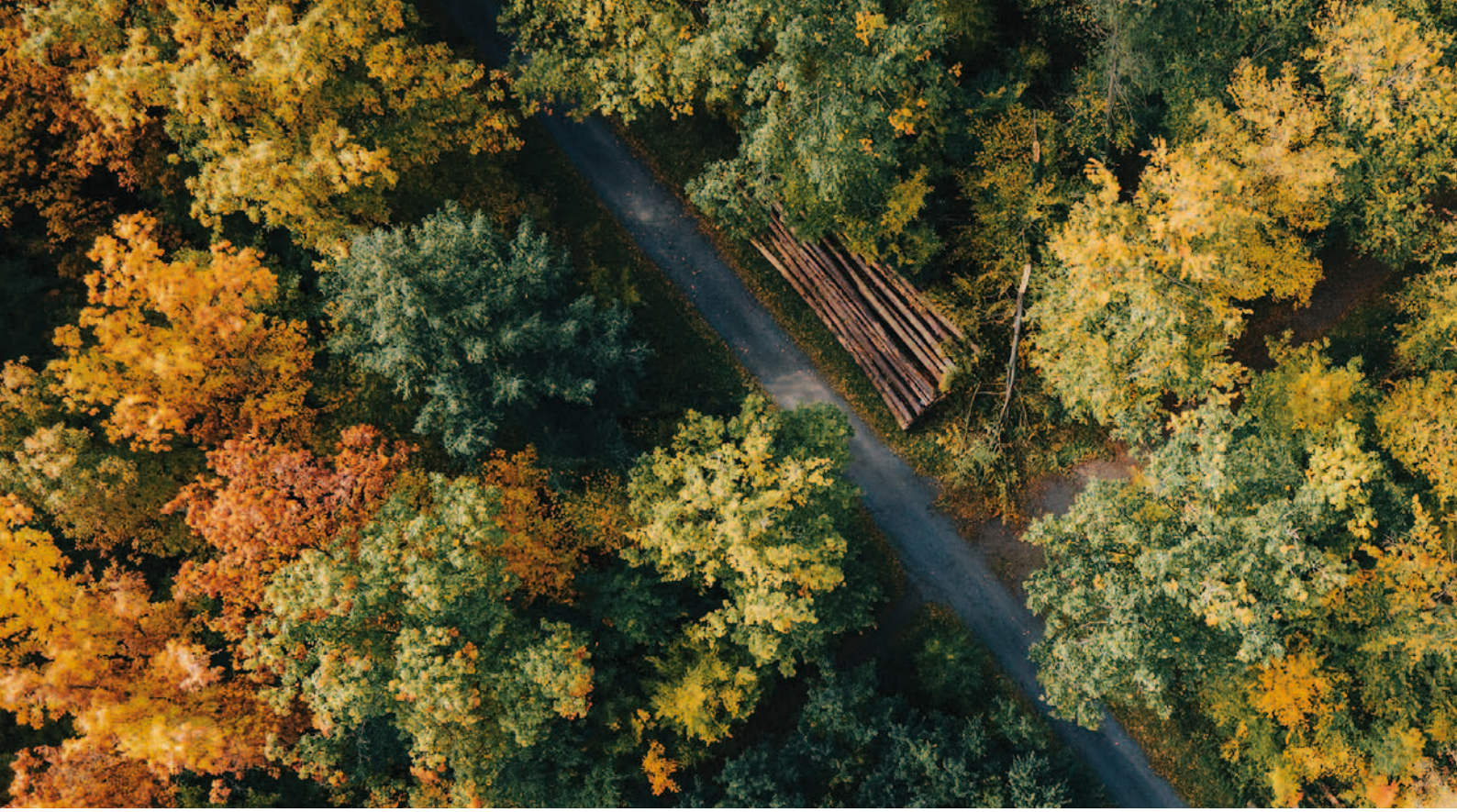


FOREWORD

Dear Reader,

We are looking back on an eventful first half of 2022. Although the Covid-19 pandemic continues, incidence rates are on the decline and the widespread availability of vaccines in the first half-year gives hope that the situation will improve. At the end of February 2022, however, the world was shaken again by the Russia-Ukraine conflict. The outbreak of the war and the associated rise in energy prices as well as generally high inflation present us with new challenges.

Nevertheless, the market for HD/MD fibreboards in our core countries remained stable in the first half of 2022. The changed competitive situation made it possible to offset revenue shortfalls relating to the markets in Russia, Belarus and Ukraine. Thus, Homann Holzwerkstoffe Group continued to perform well in the first six months of 2022. Due to generally high demand and the increased price level since the second half of 2021 as a result of significantly increased raw material costs, revenues amounted to EUR 213.0 million in the first half of 2022 – a strong increase compared to the prior year period (EUR 156.9 million). Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) totalled EUR 45.8 million (prior year period: EUR 32.5 million). This corresponds to an EBITDA margin of 20.8% (prior year period: 20.9%). At EUR 30.3 million, consolidated net income more than doubled in the first half of 2022 compared to the previous year's EUR 12.9 million. As a result, the equity ratio improved to 30.4% as of June 30, 2022.

An important strategic step was made in May 2022, when we acquired a qualified minority stake in Global MDF B.V., Netherlands. Together with our joint venture partner, Egypt Kuwait Holding S.A.E., we are pushing ahead with the construction of a plant for the

production of MDF/HDF boards in Sadat City, Egypt. Production is scheduled to start in spring 2023. In the coming years, the company will supply the Egyptian market as well as neighbouring countries in North and East Africa and the Middle East. We see great potential in these fast-growing markets.

The construction of our fourth Homann Holzwerkstoffe plant in Lithuania, near the capital Vilnius, is also progressing steadily. While the approval process for the second stage of construction took much longer than expected and the conflict in Ukraine also caused some minor delays, construction work is now running to plan. Production is currently scheduled to commence in the second quarter of 2023.

The publication of our first Sustainability Report in August 2022 marked another milestone of the past months. The report in accordance with international GRI standards is the result of an in-depth strategy process that has occupied and challenged us internally and in dialog with our stakeholders in recent months.

Furthermore, we are pleased to welcome Mr Gunnar Halbig as a new member on the management team, who will support us with his long-standing experience in the furniture and fibreboard industry. Gunnar Halbig now oversees Technology, Production and Investments, which used to be the responsibility of Ernst Keider, who left the Group in September. Mr. Kleider will continue to support us as an external consultant in the future.

If we look at developments in the second half of 2022, it is safe to assume that the impact of the increased energy prices and general inflation will have a dampening effect on consumers' purchasing power. We therefore expect the market to decline in the second half of the year but project a continued increase in revenues compared to the previous year as well as stable EBITDA for the financial year 2022.

We would like to thank our employees, customers, suppliers, banks and investors for the trust placed in us and would be pleased if you remained loyal to our company as we continue our successful journey.

Munich, September 27, 2022

Fritz Homann

Helmut Scheel

INTERIM GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 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 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 the fourth Homann Holzwerkstoffe plant in Lithuania, near the capital Vilnius, is progressing steadily. While the approval process for the second stage of construction took much longer than expected and the war in Ukraine also caused some minor delays, construction work is now running to plan. Production is currently scheduled to commence in the second quarter of 2023.

In May 2022, the company acquired a qualified minority stake in Global MDF B.V., Netherlands. Together with Egypt Kuwait Holding S.A.E. (EKH), Egypt, Homann Holzwerkstoffe is pushing ahead with the construction of a production facility for the joint venture in Sadat City, Egypt. The construction work and the assembly of the manufacturing lines have progressed to such a stage that the fibreboard plant is scheduled to be taken into operation in spring 2023. Besides Egypt, the core markets are the neighbouring countries in North and East Africa as well as the Middle East.

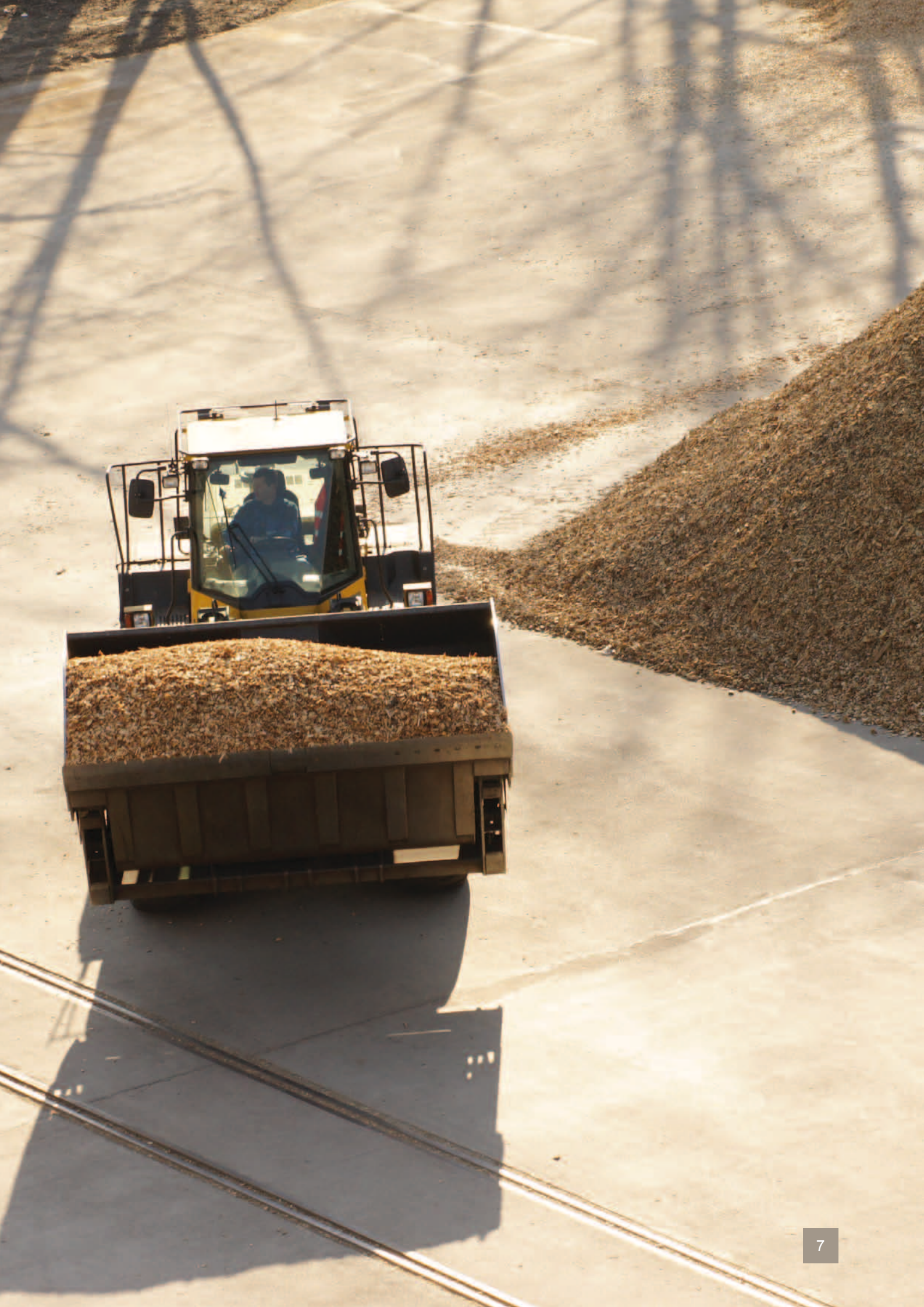
B. Economic report

1. Economic environment

Macroeconomic situation

The recovery tendencies of 2021 were followed by an increasing downward trend in the first half of 2022. Still adversely affected by the Covid-19 pandemic, the world economy was shattered by several factors, including the Russia-Ukraine war, which is having an impact on the global economy as a whole and leading to slower growth and disrupted supply chains. The unexpectedly high inflation is primarily fuelled by rising commodity and energy prices. Add to this the economic uncertainties arising from the continuing Covid-19 pandemic, whose duration and further course are impossible to predict. According to the latest update from July 2022, the International Monetary Fund (IMF) therefore again downgraded its economic forecast for the full year. While growth rates of 4.4% and 3.6% were projected in January and April, respectively, the IMF now expects the global gross domestic product (GDP) to grow by 3.2% in 2022 (2021: 6.1%). Eurozone GDP is expected to increase by 2.6% (2021: 5.4%).[1]

[1] IMF: World Economic Outlook Update July 2022



For the industrialized countries as a whole, the IMF forecasts growth of 2.5% (2021: 5.2%). Germany's gross domestic product is expected to grow by 1.2% (2021: 2.9%). This is due to the above-mentioned factors, as the unexpectedly high inflation primarily affects the United States and the large European economies.[2] Lithuania, where construction of the company's fourth production plant is continuing, already proved extremely resilient to the economic consequences of the Covid-19 pandemic last year. While the effects of the Russia-Ukraine war are also felt in Lithuania, the Lithuanian economy has again proved to be crisis-resistant this year.[3] Accordingly, the economy is expected to grow by 1.8% in 2022 (2021: 4.9%).[4]

According to the IMF, economic output in the emerging and developing countries is expected to improve by 3.6% (2021: 6.3%). In Poland, where Homann Holzwerkstoffe has two production sites, the economy will probably grow by 4.5% (2021: 5.7%).[5]

Sector developments

The German furniture industry was again characterized by high volatility in the first half of 2022, especially due to the Russia-Ukraine war and the related disruptions in the supply chains. Manufacturers were faced with a dramatic shortage of materials already in the course of 2021, which was exacerbated by the outbreak of the war this year. Even though the situation has stabilized somewhat according to the Association of the German Furniture Industry (VDM), the prices of intermediate products and energy remain on the increase. The supply situation for solid wood remains particularly tight and supply chains are still disrupted.[6]

According to the Association of the German Furniture Industry, revenues in the German furniture sector totalled EUR 9.5 billion in the first six months, which corresponds to an increase of 13.4% compared to the same period of the previous year. However, this revenue growth primarily reflects the increased cost of materials, according to the VDM. While foreign revenues showed a more dynamic trend than domestic revenues until the end of February, this trend reversed as of March 2022 as a result of macroeconomic developments. Domestic revenues improved by 13.8% compared to the first half of 2021, while foreign revenues rose by 12.6%. In spite of a moderate decline by 2.8%, France remains the most important export market for German furniture. According to the VDM, the strong 17% increase in exports to the United Kingdom is particularly gratifying. Due to the Russia-Ukraine war, German furniture exports to Russia slumped by 29% in the first half of the year, as many furniture manufacturers stopped doing business with Russia. China was able to further expand its position as the most important supplier country of furniture to Germany, followed by Poland.[7]

The individual segments of the German furniture industry showed a positive performance in the first months of 2022. Kitchen and home furniture grew by 15.5% and 12.1%, respectively, in the first seven months of 2022, while incoming orders for upholstered furniture picked up by as much as 25.3%. However, signs of a decline in incoming orders across the industry became visible already in June.[8]

According to EUWID, the market for MD/HD fibreboards in Central Europe has been characterized by declining demand since April 2022. Demand for MDF/HDF from the furniture industry and the furniture supply industry decreased towards the end of the first half of the year due to weakening capacity utilization among manufacturers of flat-pack furniture as well as living room, bedroom and kitchen furniture in the entry-level price range. Demand in the kitchen furniture industry, on the other hand, remains at a relatively normal level except for the entry-level price range; according to EUWID, most companies will be able to utilize their capacity until late summer thanks to the still relatively high order backlogs. The imbalance of supply and demand is also putting pressure on prices; while in May 2022, the average selling price for MDF standard (16-19 mm), for instance, was still EUR 480-520 per cubic metre, it had dropped to

2 IMF: World Economic Outlook Update July 2022
3 https://www.imf.org/en/News/Articles/2022/06/07/republic-of-lithuania-staff-concluding-statement-of-2022-article-iv-mission
4 https://www.imf.org/en/Countries/LTU
5 https://www.imf.org/en/Countries/POL
6 Verband der Deutschen Möbelindustrie, Pressemitteilung 19. August 2022
7 Association of the German Furniture Industry, press release dated August 19, 2022
8 Association of the German Furniture Industry, press release dated August 19, 2022

EUR 460-490 per cubic metre by mid-July 2022. Compared to the previous year, however, prices are still at a very high level.[9]

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 2022, Homann Holzwerkstoffe Group generated revenues of EUR 213.0 million (prior year period: EUR 156.9 million). The Group reported EBITDA of EUR 46.1 million (prior year period: EUR 33.5 million), while EBITDA adjusted for one-time effects from exchange rate fluctuations amounted to EUR 45.8 million (prior year period: EUR 32.5 million). This corresponds to an EBITDA margin of 20.8% (prior year period: 20.9%).

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 the present report. Various non-financial performance indicators are addressed in detail in the Group's first Sustainability Report, which was prepared according to the standards of the Global Reporting Initiative (GRI) and recently published for the financial year 2021. The Sustainability Report for the financial year 2022 will be prepared at about the same time as the Annual Report for 2022.

3. Business trend and situation

Earnings position

Revenues in the first half of 2022 were up by EUR 56.1 million on the same period of the previous year and stood at EUR 213.0 million. As in the previous year, demand was very high. Essentially, the overall increase in price levels in the second half of 2021 led to a 35.8% rise in revenues, with sales volumes of non-finished panels slightly lower. While domestic revenues rose by 30.9% from EUR 35.9 million to EUR 47.0 million, foreign sales increased by 37.1% from EUR 121.0 million to EUR 166.0 million. Price increases for refined products for the furniture industry were more significant than for other product categories.

Other operating income in the amount of EUR 5.0 million (prior year period: EUR 3.7 million) mainly includes exchange gains of EUR 3.4 million (prior year period: EUR 3.2 million).

The cost of materials ratio increased from 49.9% to 56.2% as a result of higher energy costs and raw material costs for wood and glue. These higher costs could be passed on to customers only partly in the form of price increases. The decline in the personnel expense ratio from 15.7% to 12.0% is due to fixed cost degression effects. This helped to partly offset the increased cost of materials.

The average number of employees rose from 1,548 in the prior year period to 1,578 in the reporting period, as the company started to build up the workforce in Lithuania.

Other operating expenses increased from EUR 23.6 million to EUR 28.9 million. This includes expenses from exchange rate changes of EUR 3.1 million (prior year period: EUR 2.2 million). The increase is essentially attributable to higher repair and maintenance costs (EUR 9.1 million; prior year period: EUR 4.5 million).

At the bottom line, the company achieved a very good operating result before depreciation and amortization due to the significant increase in revenues in conjunction with efficient cost management. Reported EBITDA amounted to EUR 46.1 million, compared to EUR 33.5 million in the same period of the previous year. The change is primarily attributable to additional profit contributions from the higher revenues with the margin remaining more or less unchanged.

[9] EUWID, issue 34/2022; EUWID, issue 28/2022

Adjusted for one-time effects from exchange rate fluctuations in the first half of 2022 and the corresponding prior year period, EBITDA amounted to EUR 45.8 million, compared to EUR 32.5 million in the previous year. This means that the plans for the first six months of the year were exceeded.

The “interest and similar expenditure” item essentially includes interest expenses for the bond and bank loans. Interest expenses were lower than in the previous year, when one-time expenses in conjunction with the refinancing of the bond in the amount of EUR 2.6 million were incurred. Securities had to be written down as the prices of securities held as current assets declined. The burden from the financial result was EUR 0.9 million lower than in the previous year.

The Group’s consolidated net income for the first six months totalled EUR 30.3 million (adjusted: EUR 30.0 million). Net income in the first half of 2021 had amounted to EUR 12.9 million (adjusted: EUR 14.5 million).

Assets position

As of the interim balance sheet date of June 30, 2022, total assets of Homann Holzwerkstoffe GmbH stood at EUR 447.1 million, which corresponds to an increase by EUR 71.5 million or 19.0% compared to the end of 2021, most of which is attributable to investments in fixed assets.

In the first half of 2022, such investments in fixed assets amounted to EUR 64.3 million (prior year period: EUR 48.0 million). A significant part of these investments is related to the construction of the new plant in Lithuania as well as to the joint venture in Egypt. Taking into account depreciation, asset disposals and exchange rate differences, fixed assets increased by a total of EUR 67.1 million from EUR 230.3 million as of December 31, 2021 to EUR 297.4 million as at the interim balance sheet date.

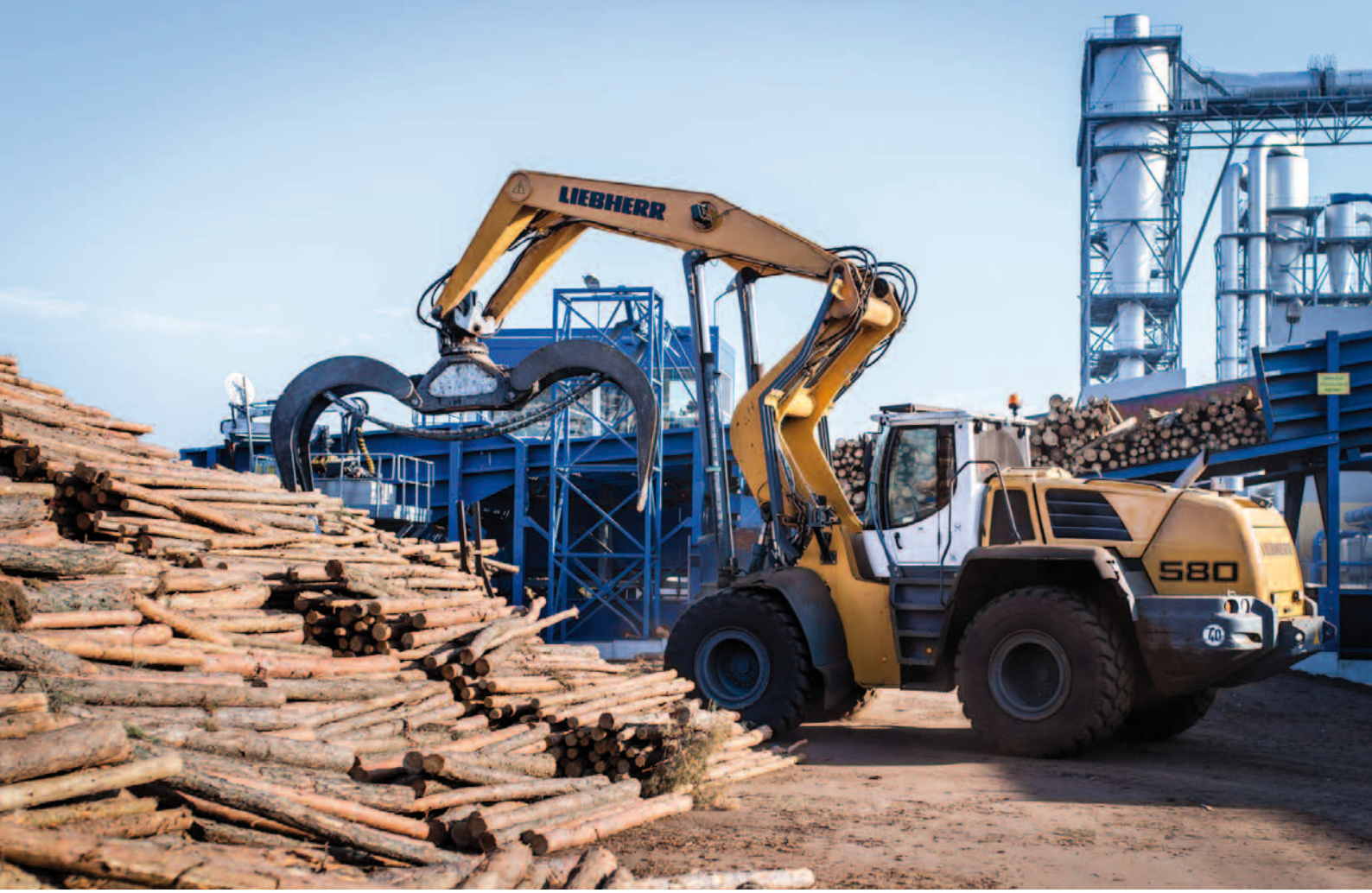
Inventories picked up from EUR 36.1 million to EUR 53.2 million. This is attributable to various effects. First, procurement and manufacturing costs increased because of higher raw materials costs; second, the good availability of wood in Poland was used to build up inventories. At the same time, inventories of finished and unfinished goods were increased to further cut delivery times.

Receivables and other assets rose from EUR 22.1 million to EUR 30.2 million as a result of the increased revenues. Material items that are dependent on revenues include receivables from factoring companies (EUR 11.5 million). Other assets picked up primarily due to higher VAT receivables (EUR 13.5 million).

Equity increased further to EUR 135.9 million (December 31, 2021: EUR 107.3 million), in particular due to the clearly positive consolidated net income for the first half of the year. As a result, the equity ratio improved further to 30.4% (December 31, 2021: 28.6%) despite the significant increase in total assets. The difference in equity resulting from currency conversion is essentially attributable to 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 change in the equity ratio, equity is therefore adjusted for this item. This adjusted equity ratio stood at 33.9% as at the reporting date (December 31, 2021: 32.3%).

Provisions increased to EUR 25.2 million, compared to EUR 18.1 million as at the end of 2021. The increase essentially relates to taxes as well as maintenance measures.

As purchase costs for raw materials picked up, trade payables also rose from EUR 35.5 million to EUR 45.4 million. As part of the Group’s investments were debt-financed, liabilities to banks rose from EUR 129.8 million to EUR 153.1 million. Total liabilities increased from EUR 249.6 million as of December 31, 2021 to EUR 284.9 million as of June 30, 2022.



Financial position

Cash flow from operating activities amounted to EUR 35.4 million in the first half of 2022 (prior year period: EUR 44.9 million). This was offset by cash outflows from investing activities in the amount of EUR 78.4 million (prior year period: EUR 47.8 million) and net cash inflows from financing activities of EUR 11.9 million (prior year period: EUR 9.7 million). At the bottom line, this reduced cash and cash equivalents by EUR 35.0 million compared to the same period of the previous year; compared to December 31, 2021, the reduction amounted to EUR 31.1 million.

As of June 30, 2022, the company had cash, cash equivalents and free securities in the amount of EUR 62.9 million (June 30, 2021: EUR 92.5 million) as well as free credit lines of EUR 40.0 million (June 30, 2021: EUR 32.0 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 19.2 million (June 30, 2021: EUR 13.9 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 43.6 million as at the interim balance sheet date (June 30, 2021: EUR 78.6 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

The further outlook for the remaining months of 2022 and the year 2023 is marked by continued uncertainty about the further course of the Russia-Ukraine war, the inflation resulting from rising commodity and energy prices and the ongoing Covid-19 pandemic. Consequently, experts' expectations are subject to high uncertainty. The IMF's latest forecast of July 2022 assumes a 2.9% increase in the global gross domestic product for 2023. The currently high inflation rates will decline again – according to optimistic expectations based on the tightening of central banks' monetary policies and the subsiding base effects of energy prices.[10]

For the industrialized countries, the experts expect growth of 1.4%, while the emerging and developing countries are to grow by 3.9% in 2023. Economic growth of 1.2% is forecast for the eurozone. According to the IMF, Germany's gross domestic product is expected to increase by 0.8%. Lithuania is forecast to grow by 2.6% and Poland's economic output is expected to increase by 2.9% in 2023.[11]

Sector developments

While the furniture industry was able to hold its own relatively well during the Covid-19 pandemic, a study by PwC Germany suggests that the war in Ukraine, fragile supply chains and high inflation are having an adverse impact. Forest products are becoming scarcer due to the war against Ukraine, as a trade ban on wood products from Russia and Belarus has been imposed in Europe. The PwC experts assume that the industry's total revenues will not return to pre-crisis levels before 2023.[12]

In its forecast for the full year 2022, the Association of the German Furniture Industry highlights the difficult-to-assess impact of increased food and energy prices, the threat of gas shortages and the other macroeconomic uncertainties already mentioned. The negative trend in demand in June and July 2022 already indicated that incoming orders will decline. Thus, a decline in volumes and an increase in revenues of only between 6% and 8% due to price effects are predicted, compared to 10% revenue growth projected in February. The Association nevertheless projects positive stimuli for the industry in autumn 2022.[13]

Since Q2 2022, demand and incoming orders for MD/HD fibreboards have declined more strongly than expected at the beginning of the year. According to EUWID, a trend reversal is not in sight. Some furniture companies have already extended their company holidays due to the weak order intake, while others are already planning plant shutdowns or short-time work for the coming weeks. According to EUWID, the reasons for the tight situation in the Central European MDF/HDF markets include increasing production adjustments in various customer industries and the continued purchasing restraint among wholesalers/retailers.[14] So far, Homann Holzwerkstoffe Group has been affected by these market trends only to a very limited extent.

10 IMF: World Economic Outlook Update July 2022
11 IMF: World Economic Outlook, Update July 2022; https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/LTU/POL
12 PwC Germany, press release dated July 29, 2022
13 Association of the German Furniture Industry, press release dated August 19, 2022
14 EUWID, issue 34/2022

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. As a result of current import and export restrictions imposed on Russia and Belarus, there has been a shift in supply flows and, hence, in the competitive situation. For market players such as Homann Holzwerkstoffe Group, which do not have their own production sites in these countries and whose dependence on the local markets is relatively low, this may entail opportunities – e.g. through the (temporary) elimination of competitors from these countries.

Risks to the Group's earnings exist in connection with possible cost increases. In general, it is safe to assume that the existing rules and subsidies for energy-intensive companies (the renewable energy levy) in the sphere of energy policy will remain in effect. As a result of the war in Ukraine, energy prices remain clearly on the increase. Should the war in Eastern Europe escalate or Russian oil and gas no longer be produced, this would influence the availability of energy and send prices rising even more sharply. This would also have an impact on the entire German industry and would be reflected in higher costs also at Homan Holzwerkstoffe, which might affect the result.

Where raw materials are concerned, fluctuations in the price of wood and other materials, especially glue, could result in higher costs. Prices in the commodity markets are currently rising noticeably. Should the availability of gas for industrial production in Western Europe become restricted, this could also result in the availability of glue being severely limited. While the Group is trying to build up alternatives for such a scenario, constant availability cannot be guaranteed.

The Group intends to pass on increases in the prices of input factors to its customers. As the general price level has already increased noticeably, however, this will not always be possible in the future, which means that margins are likely to decline in the coming months.

A further risk may arise from the future general inflation trend. Should inflation continue at the current level, this might have a dampening effect on consumers' purchasing power and, hence, on demand.

Although the Covid-19 pandemic persists, a return to normal can be observed both in the general public and in the business world. After another wave in the summer, incidence rates are on the decline again. While effective vaccines are available throughout Germany, there is the risk of new virus variants. Thus, there are still risks resulting from the macroeconomic consequences of a prolonged pandemic. With regard to the business activities of Homann Holzwerkstoffe Group, various risks exist, e.g. employees may become ill, which could have negative effects on the operational production processes. Disruptions in the supply chain for required input factors as well as disruptions in logistics and in sales channels on the customer side may occur. To the extent possible, the Group has taken essential precautions and preparations to reduce the probability of the risks occurring and/or their negative economic consequences.

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 and the investment in Egypt are exposed to market risk due to possible changes in exchange rates.

3. Outlook and strategic plans

In the first half of 2022, the market for thin fibreboards in the core countries supplied by the Group remained strong. The changed competitive situation made it possible to offset revenue shortfalls relating to the markets in Russia, Belarus and Ukraine. The effects of increased energy prices and general inflation on the purchasing power of end consumers might have a dampening effect on demand in the second half of the year. On balance, we therefore expect the market to decline somewhat in the second half of the year but continue to project a noticeable increase in revenues compared to the previous year as well as stable EBITDA for the financial year 2022.

Munich, September 27, 2022

Fritz Homann Helmut Scheel Gunnar Halbig

CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of June 30, 2022

ASSETS

	Notes item	Jun. 30, 2022 EUR	Dec. 31, 2021 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		446,457.00	326,452.43
2. Advance payments made		380,679.45	189,154.40
3. Goodwill		7,857,468.00	0.00
		8,684,604.45	**515,606.83**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		58,280,494.86	58,865,454.09
2. Technical equipment and machinery		88,615,611.80	88,813,732.55
3. Other property, plant and equipment		17,128,092.16	6,101,626.93
4. Advance payments made and work in progress		118,804,545.83	75,965,241.78
		282,828,744.65	**229,746,055.35**
III. Financial assets	6.a.		
Investments in associates		5,916,969.00	0.00
B. Current assets			
I. Inventories			
1. Raw materials and supplies		36,580,697.01	26,950,831.46
2. Unfinished goods		7,327,276.68	3,204,218.32
3. Finished goods and merchandise		9,070,408.25	5,870,410.95
4. Advance payments made		193,993.40	98,053.95
		53,172,375.34	**36,123,514.68**
II. Receivables and other assets	6.b.		
1. Trade receivables		2,802,594.07	2,990,461.71
2. Other assets		27,411,204.14	19,088,713.80
		30,213,798.21	**22,079,175.51**
III. Investments classified as current assets	6.c.	5,016,233.67	15,710,703.91
IV. Cash holdings, bank deposits and cheques		57,842,892.89	69,575,204.42
		146,245,300.11	**143,488,598.52**
C. Accrued and deferred items	6.b.	3,428,400.49	1,873,075.44
		447,104,018.70	**375,623,336.14**

LIABILITIES

	Notes item	Jun. 30, 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. Equity difference from currency conversion		-15,684,782.60	-13,931,513.73
V. Consolidated retained earnings		126,300,672.44	95,954,619.58
		135,856,067.61	**107,263,283.62**
B. Special item	6.e.	419,713.00	0.00
C. Provisions	6.f.		
1. Provisions for pensions and similar obligations		3,700,887.00	3,494,739.00
2. Provisions for taxes		6,678,632.55	4,420,159.00
3. Other provisions		14,829,126.22	10,186,404.00
		25,208,645.77	**18,101,302.00**
D. Liabilities	6.g.		
1. Bonds		78,000,000.00	78,000,000.00
2. Advance payments received		100,000.00	100,000.00
3. Liabilities to financial institutions		153,060,842.92	129,820,720.09
4. Trade payables		45,418,695.95	35,517,496.83
5. Other liabilities		8,322,506.92	6,210,327.40
		284,902,045.79	**249,648,544.32**
E. Accrued and deferred items		69,546.53	50,206.20
F. Deferred tax liabilities	6.h.	648,000.00	560,000.00
		447,104,018.70	**375,623,336.14**

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to June 30, 2022

	Notes item	Jan. 1 - Jun. 30, 2022 EUR	Jan. 1 - Dec. 31, 2021 EUR	Jan. 1. - Jun. 30, 2021 EUR
1. Revenues	7.a.	212,995,024.05	334,900,120.07	156,897,476.71
2. Increase / reduction in inventory unfinished goods		6,390,109.91	470,280.70	-2,080,404.17
3. Other own work capitalized		376,493.80	1,125,076.70	479,852.51
4. Other operating income	7.b.	5,044,397.21	9,464,154.84	3,714,509.26
		224,806,024.97	**345,959,632.31**	**159,011,434.31**
5. Cost of materials				
a) Cost of raw materials and consumables and goods for resale		-109,001,730.39	-142,364,289.33	-65,465,908.32
b) Cost of purchased services		-14,541,319.93	-23,326,569.02	-12,057,560.82
		-123,543,050.32	-165,690,858.35	-77,523,469.14
Gross profit		**101,262,974.65**	**180,268,773.96**	**81,487,965.17**
6. Expenses for personnel	7.c.			
a) Wages and salaries		-22,025,649.99	-42,640,709.05	-20,429,633.56
b) Social security, pensions and other benefits		-4,244,293.47	-7,939,567.27	-3,951,869.35
		-26,269,943.46	-50,580,276.32	-24,381,502.91
7. Depreciation and amortization of intangible and tangible fixed assets	7.d.	-8,492,308.72	-21,036,504.61	-13,713,929.94
8. Other operating expenses	7.e.	-28,896,046.15	-46,793,426.48	-23,570,314.27
Operating result		**37,604,676,32**	**61,858,566.55**	**19,822,218.05**
9. Other interest and similar income		656,408.58	532,792.81	333,327.70
10. Write-down of investments classified as current assets		-1,026,028.62	-81,912.97	-81,346.05
11. Expenses from investments in associates		-139,192.00	0.00	0.00
12. Interest and similar expenditure		-4,370,867.67	-10,404,098.99	-6,014,651.92
Financial result	7.f.	**-4,879,679.71**	**-9,953,219.15**	**-5,762,670.27**
13. Income taxes	7.g.	-2,378,943.75	-3,167,137.37	-1,157,337.57
14. Earnings after taxes / consolidated net income		**30,346,052.86**	**48,738,210.03**	**12,902,210.21**

CONSOLIDATED CASH FLOW STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to June 30, 2022

		Jan. 1 - Jun. 30, 2022 kEUR	Jan. 1 - Dec. 31, 2021 kEUR	Jan. 1. - Jun. 30, 2021 kEUR
	Consolidated net income	**30,346**	**48,738**	**12,902**
+/–	Depreciation of assets	8,631	21,037	13,714
–/+	Profit/loss from the disposal of fixed assets	-24	-4,351	-43
–/+	Other non-cash expenses/income	-167	360	180
–/+	Increase/decrease in inventories	-17,048	-3,043	1,473
–/+	Increase/decrease in trade receivables	187	-1,439	-1,198
–/+	Increase/decrease in other assets	-9,878	3,788	3,268
+/–	Increase/decrease in provisions	4,645	5,234	3,219
+/–	Increase/decrease in trade payables	9,902	8,696	6,461
+/–	Increase/decrease in other liabilities	2,550	-866	-820
+/–	Income tax expenses/income	2,379	3,167	1,157
+/–	Interest expenses / interest income	3,018	6,391	5,682
+/–	Currency-related change in assets/liabilities	874	175	-1,102
=	**Cash flow from operating activities**	**35,415**	**87,887**	**44,893**
+	Proceeds from the disposal of tangible assets/intangible assets	96	4,524	138
–	Cash paid for investments in tangible assets/intangible assets	-64,285	-92,008	-47,965
–	Cash paid for additions to the scope of consolidation	-14,214	0	0
=	**Cash flow from investing activities**	**-78,403**	**-87,484**	**-47,827**
+	Cash received from raising borrowings	20,890	2,500	2,500
+	Cash received from the new corporate bond	0	78,000	78,000
–	Cash paid for the redemption of borrowings	-5,915	-11,249	-5,561
–	Cash paid for the redemption of the previous corporate bond	0	-60,000	-60,000
–	Interest paid	-3,018	-6,391	-4,944
–	Income taxes paid/refunded	-34	-705	-310
=	**Cash flow from financing activities**	**11,923**	**2,155**	**9,685**
	Change in cash and cash equivalents	-31,065	2,558	6,751
+	Change in cash and cash equivalents from currency conversion	373	51	115
+	Cash and cash equivalents at the beginning of the period	74,339	71,730	71,730
=	**Cash and cash equivalents at the end of the period**	**43,647**	**74,339**	**78,596**

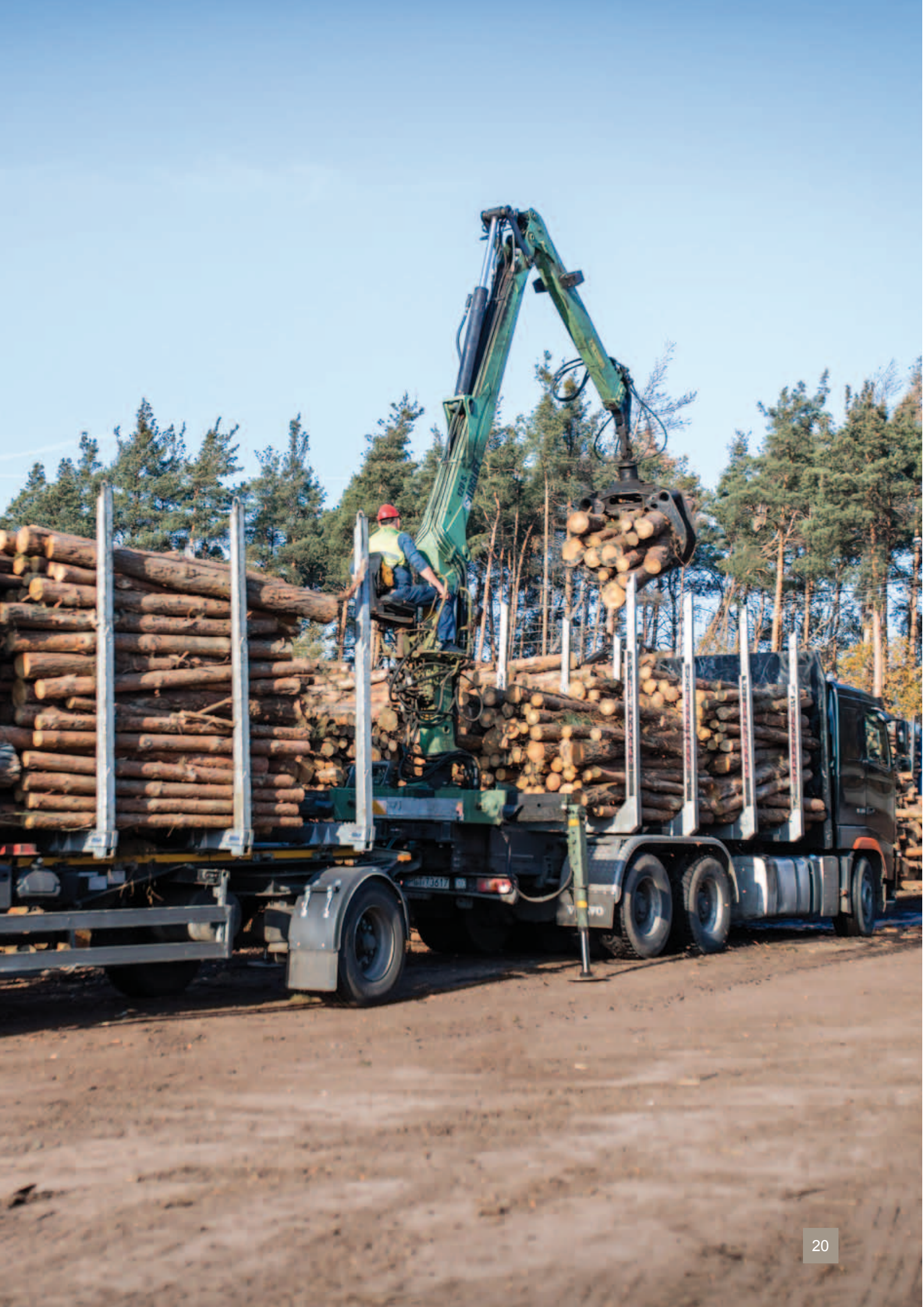
Composition of cash and cash equivalents:

	Jun. 30, 2022 kEUR	Dec. 31, 2021 kEUR	Jun. 30, 2021 kEUR
Cash	57,843	69,575	91,887
Investments classified as current assets	5,016	15,711	650
Liabilities to banks agreed at short notice	-19,212	-10,947	-13,941
	43,647	**74,339**	**78,596**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2021 to June 30, 2022

	Subscribed capital	Capital reserves	Other profit reserves	Equity difference from currency conversion	Consolidated retained earnings	Equity
	EUR	EUR	EUR	EUR	EUR	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
Differences from currency translation	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
Differences from currency translation	0.00	0.00	0.00	-1,753,268.87	0.00	-1,753,268.87
Consolidated net income	0.00	0.00	0.00	0.00	30,346,052.86	30,346,052.86
June 30, 2022	25,000,000.00	25,564.60	214,613.17	-15,684,782.60	126,300,672.44	135,856,067.61



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich
for the period ended June 30, 2022

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 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 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, 2021 and to the income statement for the period from January 1, 2021 to June 30, 2021.

HHW is registered with 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 are initially included in the consolidated financial statements for the period ended June 30, 2022 as fully consolidated companies:

No.	Company	Equity share	held by	Equity June 30, 2022	Result for the period
		%	No.	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Munich			48,670	-4,571
2	HOMANIT Holding GmbH, Munich	100.00	1	121,457	13,035
3	Homanit GmbH & Co. KG, Losheim	100.00	2	23,942	10,081
4	Homanit Verwaltungsgesellschaft mbH Losheim	100.00	3	39	-1
5	Homanit France SARL, Schiltigheim	100.00	3	28	-1
6	Homanit Polska Sp. z o.o.i. Spolka Sp. k., Karlino	99.99 0.01	2 7	74,124	16,476
7	Homanit Polska Sp. z o.o., Karlino	100.00	2	1,510	341
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,248	-9
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	37,201	11,089
10	Homatech Polska Sp. z o.o., Karolina	100.00	6	333	44
11	UAB Homanit Lietuva, Pagiriu	100.00	2	56,715	-1,387
12	HOPE Investment Sp. z o.o., Poznan	100.00	6	98	4

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

b. Entities consolidated on a pro rata basis

Global MDF Industries B.V., Amsterdam, and its subsidiaries are included in the consolidated financial statements of Homann Holzwerkstoffe GmbH on a pro rata basis in accordance with section 311 HGB. On May 10, 2022, the parent company initially acquired a 16.2% interest in Global MDF Industries B.V. In the further course, the parent company will acquire another 10.8% of the shares. First-time consolidation resulted in a difference on the assets side of kEUR 8,095, which is reported as goodwill under intangible assets and is amortized over a period of five years using the straight-line method. The establishment of the site, the start of production and the further successive expansion of capacity and value-added stages will take place over the following five years. Goodwill has been incurred for the successive full entry into this new market. We therefore consider amortization over five years to be appropriate. For the period from May 10 to June 30, 2022, the amortization was made on a pro rata basis at kEUR 237.

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). Differences on the assets side from capital consolidation are shown as goodwill. 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 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 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 that are not prepared in accordance with the principles of the German Commercial Code (HGB) are generally adjusted to conform with the consolidated accounting principles 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. For information on the accounting and valuation of goodwill, please refer to the explanations under items 2.b. and 6.a.

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 recognized at cost according to the lower of cost or market principle.

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 stated at nominal value or at the lower of cost or market value. 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.

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 of election 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 the **special item**, 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 1.38%.

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.

Deferred income is recognized at nominal value. This is income attributable to the period after June 30.

6. Notes to the consolidated balance sheet

a) Fixed assets

	Cost of purchase/manufacture							Depreciation/impairments					Book value	
	Date January 1, 2021 EUR	Reclassi-fications EUR	Additions EUR	Change in the scope of consolidation EUR	Disposals EUR	Currency exchange differences EUR	Date June 30, 2022 EUR	Date January 1, 2022 EUR	Additions EUR	Depreciation/ impairments Disposals EUR	Currency exchange differences EUR	Date June 30, 2022 EUR	Date June 30, 2022 EUR	Date January 1, 2022 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	8,572,466.10	0.00	115,937.52	0.00	-780,829.94	-38,251.76	7,869,321.92	8,246,013.67	-8,429.20	-780,910.18	-33,809.37	7,422,864.92	446,457.00	326,452.43
2. Advance payments made	189,154.40	-142,464.00	333,989.05	0.00	0.00	0.00	380,679.45	0.00	0.00	0.00	0.00	0.00	380,679.45	189,154.40
3. Goodwill	0.00	0.00	0.00	8,094,758.59	0.00	0.00	8,094,758.59	0.00	237,290.59	0.00	0.00	237,290.59	7,857,468.00	0.00
	8,761,620.50	-142,464.00	449,926.57	8,094,758.59	-780,829.94	-38,251.76	16,344,759.96	8,246,013.67	228,861.39	-780,910.18	-33,809.37	7,660,155.51	8,684,604.45	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	739,021.14	532,388.24	0.00	-79,568.06	-981,715.70	96,307,009.15	37,231,429.44	1,181,005.79	-72,956.96	-312,963.98	38,026,514.29	58,280,494.86	58,865,454.09
2. Technical equipment and machinery	205,623,201.40	2,411,882.34	4,881,643.89	0.00	-89,345.55	-2,992,381.21	209,835,000.87	116,809,468.85	6,086,131.85	-85,125.64	-1,591,085.99	121,219,389.07	88,615,611.80	88,813,732.55
3. Other property, plant and equipment	20,288,148.63	1,510,068.33	10,598,839.34	0.00	-82,731.53	-190,082.37	32,124,242.40	14,186,521.70	996,309.69	-63,579.22	-123,101.93	14,996,150.24	17,128,092.16	6,101,626.93
4. Advance payments made and work in progress	75,965,241.78	-4,518,507.81	47,885,542.38	0.00	-42,511.63	-421,999.24	118,867,765.48	0.00	0.00	0.00	0.00	0.00	118,867,765.48	75,965,241.78
	397,973,475.34	142,464.00	63,898,413.85	0.00	-294,156.77	-4,586,178.52	457,134,017.90	168,227,419.99	8,263,447.33	-221,661.82	-2,027,151.90	174,242,053.60	282,891,964.30	229,746,055.35
III. Financial assets														
Investments in associates	0.00	0.00	0.00	6,119,209.00	0.00	-63,048.00	6,056,161.00	0.00	139,192.00	0.00	0.00	139,192.00	5,916,969.00	0.00
	406,735,095.83	0.00	64,348,340.42	14,213,967.59	-1,074,986.71	-4,687,478.28	479,534,938.85	176,473,433.66	8,631,500.72	-1,002,572.00	-2,060,961.27	182,041,401.11	297,493,537.74	230,261,662.17

The goodwill arose from the initial consolidation of Global MDF Industries B.V., Amsterdam. Please refer to the comments under 2.b. in these notes.

With regard to financial assets, please refer to the comments in the interim management report on page 1.

The additions under depreciation/impairments correspond to items 7 and 11 of the income statement.

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 75 (previous year: kEUR 2,857) and for deferred items in the amount of kEUR 18 (previous year: kEUR 472).

Material items recognized in **other assets** include tax refund claims amounting to kEUR 13,533 (previous year: kEUR 7,400), receivables from factoring companies amounting to kEUR 11,467 (previous year: kEUR 7,432) as well as a plant intended for resale amounting to kEUR 1,235 (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 June 30, 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.

d) 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, 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. 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 conversion** decreased from kEUR -13,931 to kEUR -15,685 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, 2022	95,954,619.58
Consolidated net income – January 1 to June 30, 2022	30,346,052.86
Consolidated retained earnings – June 30, 2022	126,300,672.44

Amounts totalling kEUR 95 (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

The special item relates to grants from HADEA (European Health and Digital Executive Agency) for research projects within the framework of project 101057473 “Ecological Solutions for Recovery of Secondary Raw Materials from Postconsumer Fibreboards”. The grant agreement has a term from May 1, 2022 to April 30, 2026. Various research institutes as well as companies from the wooden materials industry are involved in the research project. The recipients of the grants will have to report on the research results in November 2023, May 2025 and May 2026. Homann Holzwerkstoffe GmbH Group will receive a maximum of kEUR 869 under the programme.

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. 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, 2022
Interest rate at the beginning of the financial year	1.87%
Interest rate on June 30, 2022	1.78%
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, 2022, an amount of kEUR 17 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 78 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 (1.38%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for the period from January 1, 2022 to June 30, 2022 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, deferred maintenance as well as imminent losses from pending transactions and contingent liabilities.

The liabilities resulting from domestic **early retirement arrangements** are backed by securities. These securities are offset against the underlying liabilities in accordance with section 246 para. 2 sentence 2 HGB. For recognition in the balance sheet, the liabilities in connection with early retirement arrangements, in the amount of kEUR 198, were netted out with plan assets at fair value, in the amount of kEUR 86. This results in recognition of a provision amounting to kEUR 112.

Securities are measured based on the strict lower of cost or market principle; securities which are not netted out with a carrying amount of kEUR 863 (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	100,000.00	0.00	0.00	100,000.00
3. Liabilities to financial institutions	31,484,379.05	97,996,341.04	340,000.00	129,820,720.09
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

June 30, 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	100,000.00	0.00	0.00	100,000.00
3. Liabilities to financial institutions	46,908,200.69	101,300,707.23	4,851,935.00	153,060,842.92
4. Trade payables	45,418,695.95	0.00	0.00	45,418,695.95
5. Other	8,322,506.92	0.00	0.00	8,322,506.92
	100,749,403.56	179,300,707.23	4,851,935.00	284,902,045.79

The company has issued a **bond** in the amount of EUR 78 million with an interest rate of 4.5% p.a. and a term until 2026. The **bond** 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 2,808 as of June 30, 2022.

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) in the amount of kEUR 222 (previous year: kEUR 661) and wages outstanding in the amount of kEUR 2,065 (previous year: kEUR 1,896) as well as accrued interest under the bond issue in the amount of kEUR 2,808 (previous year: kEUR 1,067). Taxes accounted for kEUR 1,278 (previous year: kEUR 709) and social insurance contributions for kEUR 1,360 (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 74 (previous year: kEUR 150) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 43 (previous year: kEUR 54). Deferred tax liabilities of kEUR 765 (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, 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 income statement

a) Revenues

Revenues break down into domestic revenues of kEUR 47,009 (previous year: kEUR 35,862) and foreign revenues of kEUR 165,986 (previous year: kEUR 121,036). In the first half of 2022, the European Union accounted for kEUR 154,892 (previous year: kEUR 108,045) of the foreign revenues.

b) Other operating income

The main item recognized in **other operating income** was income from changes in exchange rates of kEUR 3,411 (previous year: kEUR 3,235). In the first half of 2022, kEUR 2,838 of this income was realized; in the same period of the previous year, income from changes in exchange rates was realized in full. Income unrelated to the reporting period amounted to kEUR 55 (previous year: kEUR 21). The Group generated other material income in the amount of kEUR 987 from the sale of an investment in a limited partnership.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 26,270 (previous year: kEUR 24,382) include expenses for old-age provisions in the amount of kEUR 154 (previous year: kEUR 180).

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

	June 30, 2022	June 30, 2021
White-collar employees	368	333
Blue-collar employees	1,210	1,215
Total	1,578	1,548

d) Depreciation and amortization

kEUR 237 of the amortization relates to the goodwill resulting from the initial consolidation of Global MDF Industries B.V. according to the equity method.

e) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 10,166 (previous year: kEUR 8,400), repair and maintenance costs as well as costs of performance in the amount of kEUR 9,087 (previous year: kEUR 4,480), adminis-trative costs of kEUR 4,681 (previous year: kEUR 4,367) and expenses from changes in exchange rates of kEUR 3,061 (previous year: kEUR 2,187).

Expenses from changes in exchange rates for the first six months of 2022 were realized in full; an amount of kEUR 1,601 was realized in the previous year. Besides this, other tax expenses in the amount of kEUR 673 (previous year: kEUR 632) are also reported. Expenses unrelated to the reporting period amounted to kEUR 43 (previous year: kEUR 39).

f) Financial result

Interest and similar income resulted from the investment in securities and deposits in the amount of kEUR 59 (previous year: kEUR 418); negative interest (custodian fee for bank balances) in the amount of kEUR 55 (previous year: kEUR 87) was offset against it. However, this item essentially includes the profit share of kEUR 652 from the limited partnership investment sold in the first half of the year.

The **amortization of investments classified as current assets** relates to write-downs on investments classified as current assets in the amount of kEUR 1,026 (previous year: kEUR 81).

Expenses from investments in associates relate to the pro-rated loss from the investment in Global MDF Industries B.V. for the period from May 10, 2022 to June 30, 2022.

Interest expenses essentially include interest paid on the bond in the amount of kEUR 1,741 as well as interest on loans granted by the lending banks in the amount of kEUR 1,345. The discounting of non-current provisions resulted in expenses of kEUR 118 (previous year: kEUR 117). 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 2022 in the amount of kEUR 2,291 (previous year: kEUR 1,022) as well as expenses from deferred taxes of kEUR 88 (previous year: kEUR 12).

8. Contingent liabilities and other financial obligations

As of June 30, 2022, there were **contingent liabilities** in the amount of kEUR 12,096 in the form of a guarantee to secure loans.

As of the balance sheet date, other **financial obligations** amounted to kEUR 12,127 (previous year: kEUR 13,249). These obligations involve rental, leasing and leasehold agreements.

In addition, there is a liability from plant orders in the amount of kEUR 88,184 (previous year: kEUR 50,322) as well as the obligation to pay a further purchase price instalment in the amount of USD 10 million in the context of the investment in Global MDF Industries B.V. under certain conditions.

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. As of June 30, 2022, it had a positive market value of kEUR 628, which has not been capitalized in accordance with the principle of prudence. 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

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. Homann Holzwerkstoffe GmbH prepares the consolidated financial statements for the largest and the smallest group of companies that are members of the Group.

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.

Pension payments of kEUR 5 were made to the widow of a former Managing Director in the first half of 2022. The pension provision established for this purpose amounts to kEUR 19.

Auditor's fee

The fee recorded in the period from January 1 to June 30, 2022 in accordance with section 314 para. 1 no. 9 HGB relates to audit services in the amount of kEUR 127 (previous year: kEUR 119) and other certification services in the amount of kEUR 7 (previous year: kEUR 11).

Munich, September 27, 2022

Fritz Homann Helmut Scheel Gunnar Halbig

To Homann Holzwerkstoffe GmbH

We have reviewed the interim consolidated financial statements of Homann Holzwerkstoffe GmbH, Munich, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the interim group management report for the period from January 1, 2022 to June 30, 2022.

The preparation of the interim consolidated 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 German accounting standard No. 16 “Interim Financial Reporting” (DRS 16) applicable to interim group management reports is the responsibility of the legal representatives of the company. Our responsibility is to issue a review report on the interim consolidated financial statements and the interim group management report based on our review.

We completed our review of the interim consolidated financial statements and the interim group management report based on German principles for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those principles require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material respects, in accordance with the requirements of German commercial law or that, in consideration of the principles of proper accounting, they do not give a true and fair view of the net assets, financial position and results of operations or that the interim group management report has not been prepared, in material respects, in accordance with the principles of DRS 16 applicable to group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with the requirements of German commercial law applicable to consolidated financial statements or that, in consideration of the principles of proper accounting, they do not give a true and fair view of the net assets, financial position and results of operations or that the interim group management report has not been prepared, in material respects, in accordance with the principles of DRS 16 applicable to group management reports.

Our liability is limited to EUR 4 million pursuant to clause 9 (2) of the General Terms and Conditions of Engagement for Auditors and Auditing Firms of January 1, 2017 for a single case of damage caused by negligence, with the exception of damage resulting from injury to life, limb and health, as well as damage giving rise to a manufacturer’s obligation to pay compensation pursuant to section 1 of the German Product Liability Act. This limitation of liability applies to all addressees or third parties (hereinafter collectively referred to as “Recipients”) who receive our review in accordance with its intended use. These recipients are joint creditors within the meaning of section 428 of the German Civil Code and the maximum liability amount of EUR 4 million per claim is available to all recipients together only once.

By taking note of the information contained in our report, each authorized recipient confirms that they have taken note of the above restriction on disclosure / limitation of liability and acknowledge their validity in their relationship with us.

Furthermore, we do not assume any responsibility towards other third parties not mentioned here. Such third parties are responsible for deciding whether and in what form they consider this information useful and suitable for their purposes and expand, verify or update it through their own investigations. The responsibility for using the information lies exclusively with the third party. We accept no liability whatsoever from the provision of the information to these third parties. Section 334 of the German Civil Code (BGB), according to which objections arising from a contract may also be raised against third parties, is not waived in this respect.

Viersen, September 27, 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Michael B. Schröder	Anke Hahn
Wirtschaftsprüfer	Wirtschaftsprüferin

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