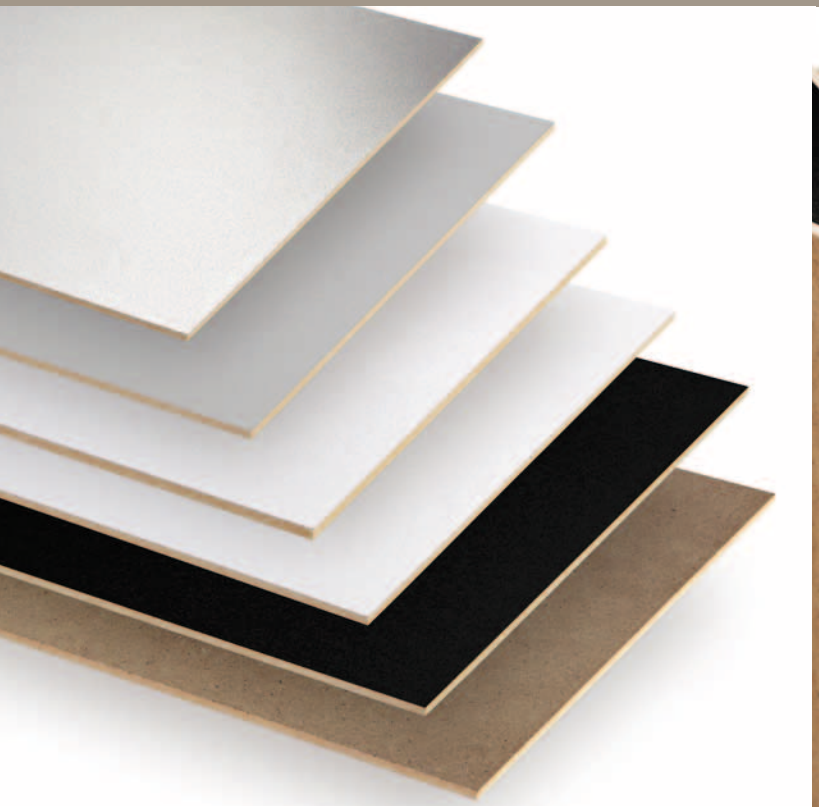
HOMANN
HOLZWERKSTOFFE

Annual Report 2021
Homann Holzwerkstoffe GmbH



Annual Report 2021
Homann Holzwerkstoffe GmbH

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FOREWORD

Dear Reader,

Economic players are currently navigating a difficult market environment. Besides the war waged by Russia in Ukraine, supply shortages, persistent inflation and the ongoing COVID-19 pandemic including the required containment measures created far-reaching global challenges already in the financial year 2021.

Against this background, the performance of Homann Holzwerkstoffe Group is all the more impressive. We were able to achieve a record result in the reporting period. With sales revenues climbing 27% to EUR 334.9 million, the operating EBITDA increasing by EUR 33.3 million to EUR 82.7 million and the EBITDA margin improving from 19.2% to 24.6%, we continued our success story also in 2021. At this point, our thanks primarily go to our fantastic employees, who deliver a remarkable performance and take our Group forward step by step each day.

Further investments are the key for us to continue to operate so successfully and not only to secure what we have achieved but also to tap the potential to expand our production capacity while at the same time reducing emissions using state-of-the-art technologies. Provided that our large-scale investment in Pagiriai, near the Lithuanian capital Vilnius, continues to proceed according to plan, we expect production to start next winter. Besides this, we are also investing in our existing locations. Most recently, for instance, we announced the extensive modernization of our site in Losheim am See with a total volume of EUR 65 million.

Sustainability has always played a major role in the philosophy of our company. As wood is the critical raw material for the production of our thin fibre boards, we also have a high sense of responsibility towards nature. To live up to this responsibility, we have decided to anchor the forward-looking topic of sustainability even more firmly within our company. In the summer of 2022, we intend to publish our first Sustainability Report to inform extensively about our sustainability strategy, our main fields of action and our ambitious goals.

Looking ahead, the current situation will exacerbate the supply shortages that already exist in the industry. While the sanctions imposed in connection with the war are leading to revenue shortfalls with customers in Russia, Belarus and Ukraine, this will be offset by the changed competitive situation. We are already seeing increased demand for our products from other countries. For our plants in Poland and Germany, we do not expect any substantial adverse effects from the current events at the moment. The current rise in glue and gas prices will be reflected in increased material and energy costs for the entire economy. The key question is ultimately when, for how long and to what extent consumers' purchasing power will decline. This decline is driven by rising costs for energy, food and fuel. We are nevertheless cautiously optimistic about the financial year 2022 and expect revenues to increase once again and EBITDA to remain stable.

We will continue to work hard to maintain the necessary speed of adaptation and to be successful in the future.

Thank you very much for your trust!

Fritz Homann Ernst Keider Helmut Scheel

GROUP MANAGEMENT REPORT 2021

A. Fundamentals of the Group

Group structure and business model

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

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

The construction of the fourth plant near the Lithuanian capital of Vilnius was initiated with the acquisition of the relevant industrial sites in October 2020. Construction commenced in 2021. Provided there are no delays due to the current situation, production is scheduled to start at the end of 2022.

B. Economic report

1. Economic environment

Macroeconomic situation

The world economy clearly recovered in the reporting period. Compared to 2020, which was heavily affected by the COVID-19 pandemic, the widespread availability of vaccines in 2021 led to better protection against severe COVID cases and a gradual normalisation of public life. Nevertheless, the pandemic continues and new mutations of the virus are causing persistently high infection rates, which continues to pose major challenges for many countries. As a result, supply chains remain impaired, with supply bottlenecks also fuelling inflation. Economic divergences between countries are mainly due to inequalities in the availability of vaccines and varying degrees of political support for their stabilisation. In its World Economic Outlook published at the beginning of the year (as of January 25, 2022), the International Monetary Fund assumes a global economic growth rate of 5.9% for 2021 (2020: -3.1%). According to the experts, eurozone GDP increased by 5.2% (2020: -6.4%).[1]

A growth rate of 5.0% is assumed by the IMF for the industrialized countries in 2021 (2020: -4.5%). Germany also recovered compared to 2020, which was heavily affected by the COVID-19 pandemic, but grew at a less stronger rate of 2.7% (2020: -4.6%) based on IMF estimates.[1] According to the ifo Institute for Economic Research, the service sectors in particular contributed to the recovery in Germany. On the other hand, a “bottleneck” recession occurred, especially in the manufacturing sector. In spite of high order intake, persistent supply bottlenecks restricted production.[2] In Lithuania, where the company’s fourth production plant is under construction, the economy proved to be extremely resistant to the economic consequences of the pandemic in 2020 as a whole. According to the IMF, Lithuania’s gross domestic product increased by 4.7% in 2021 (2020: -0.9%).[3]

Economic output in the emerging and developing countries increased by 6.5% in the reporting period (2020: -2.0%).[1] In Poland, where Homann Holzwerkstoffe has two production facilities, the economy grew by 5.1% in 2021, according to the IMF (2020: -2.7%).[3]

Sector developments

In spite of renewed store closures, the German furniture industry recovered slightly in the full year 2021, growing its sales revenues from EUR 17.2 billion in 2020 to EUR 17.5 billion. The sector thus performed better than projected. According to the Association of the German Furniture Industry (VDM), home spending was the main driver, as consumers continued to spend a lot of time at home due to COVID-19. By contrast, the furniture industry was adversely affected by increasing supply shortages in the reporting period, which slowed down production considerably in some cases and is still resulting in longer delivery times in some areas. According to the VDM, manufacturers are responding to this situation by regionally diversifying their procurement activities. Apart from disrupted supply chains, the industry is also struggling with more expensive input materials.

While domestic business remained impacted by the long lockdown, according to the VDM, and increased by only 0.5% to EUR 11.9 billion compared to 2020, foreign trade was a growth driver in the financial year 2021, growing by approx. 5% to EUR 5.6 billion. Germany’s important export markets, in particular, recorded further growth. The most important delivery area is France, where exports picked up by close to 26% in the reporting period. Switzerland remains the second most important export country for the German

[1] IMF: World Economic Outlook, January 2022
[2] ifo Institute: Economic Forecast Winter 2021
[3] IMF: World Economic Outlook, October 2021

furniture industry, with sales revenues growing by around 9%. The remaining European export markets also recorded noticeable growth. China is becoming the most important country of origin for furniture imports to Germany. In value terms, imports increased by 41% compared to the previous year, with China replacing Poland as the No. 1 furniture importer. Growing by 7%, Poland remains the second most important furniture supplier for Germany.[4]

The different segments of the German furniture industry showed divergent trends. Kitchen furniture manufacturers, for instance, recorded an increase in revenues of almost 9% to EUR 5.7 billion. Demand for office furniture also picked up again, with sales revenues growing by about 4% to roughly EUR 2 billion. By contrast, the Other furniture segment showed a negative trend, with revenues down by 7.6% to EUR 5.9 billion. Living room, dining room and bedroom furniture represent the largest segment of the furniture industry.[4]

The Central European market for MDF/HDF was characterized by high excess demand during the reporting period, which slowly flattened out only towards the end of the year. This was attributable to the disrupted supply chains caused by the COVID-19 pandemic and, consequently, longer delivery times and supply shortages. According to EUWID, an industry information service, this led to sharply rising prices. Average MDF/HDF selling prices increased by a good 75% as of January 2021.[4] Based on data of the Federal Statistical Office, production of HDF for sale was up by 2.5% on the prior year period to 1,440,260 cubic metres in the first quarters of 2021. Production of thin MDF rose by 11.8% to 213,661 cubic metres in the first nine months of 2021.[5]

Energy prices picked up sharply in 2021. The price of natural gas on the Frankfurt Stock Exchange rose from EUR 2.60 per MMBtu (million British terminal unit) at the beginning of the year to EUR 3.80 at the end of the year. This corresponds to an increase of 46.1%. The highest price during the year was EUR 6.32.[6]

[4] EUWID, issue 3/2022
[5] EUWID, issue 3/2022
[6] 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 334.9 million (previous year: EUR 262.8 million). The Group reported EBITDA of EUR 82.9 million (previous year: EUR 44.2 million), while EBITDA adjusted for one-time effects from exchange rate fluctuations amounted to EUR 82.7 million (previous year: EUR 49.4 million). In relation to total output, this corresponds to an EBITDA margin of 24.6% (previous year: 19.2%).

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 (3) of the German Commercial Code (HGB) as they have been of minor importance for the Group so far. Publication of the first Sustainability Report of Homann Holzwerkstoffe Group is planned for 2022.

3. Business trend and situation

Earnings position

Revenues increased by 27.4% from EUR 262.8 million in the previous year to EUR 334.9 million in the financial year. This noticeable rise in revenues is mainly attributable to price increases as a result of higher input costs for wood, glue and energy. The sales volume increased by about 4.0%. While domestic revenues rose by 16.0% from EUR 62.5 million to EUR 72.5 million, foreign revenues climbed 31.0% from EUR 200.3 million to EUR 262.4 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 9.5 million essentially includes exchange gains of EUR 4.8 million (previous year: EUR 3.2 million) as well as income from trading in air pollution permits and the sale of fixed assets of EUR 3.7 million.

Particularly due to an increased share of refined products, the cost of materials ratio (based on total output) was reduced by 2.0 percentage points to 49.2% compared to the previous year. At the same time, the personnel expense ratio declined from 16.6% in the previous year to 15.0% as a result of the much higher sales revenues. At 1,570, the average number of employees was slightly higher than in the previous year (1,515).

Other operating expenses rose from EUR 43.7 million to EUR 46.8 million. This was essentially influenced by repair and maintenance expenses, which were up by EUR 4.2 million on the previous year, while exchange losses declined by EUR 3.8 million. Other items such as freight and distribution costs, administrative expenses and other taxes were slightly higher than in the previous year.

Overall, reported EBITDA improved noticeably from EUR 44.2 million in the previous year to EUR 82.9 million. The strong increase is the result of the noticeable revenue growth and the associated additional contribution margins, with further improved profitability including economies of scale.

Adjusted for one-time effects from exchange rate fluctuations, which were negligible in the financial year, operating EBITDA amounted to EUR 82.7 million, compared to EUR 49.4 million in the previous year. This means that both the previous year's operating result and the Group's plans were exceeded in what was a challenging environment.

The item interest and similar expenditure mainly includes interest expenses for the corporate bond and bank loans as well as one-off expenses in connection with the refinancing of the bond in the amount of EUR 2.6 million. Due to these one-off charges and the higher average financial liabilities

for the year compared to the previous year, the financial result of EUR -10.0 million was lower than in the previous year (EUR -7.8 million).

Consolidated net income for the year totalled EUR 48.7 million (adjusted: EUR 48.6 million). Original projections for the financial year 2021 provided for increased revenues and for EBITDA to come in at the prior year level. These projections were clearly exceeded due to the highly dynamic commodity and output markets. A very good result was thus achieved.

Assets position

Total assets increased noticeably by EUR 65.5 million from EUR 310.1 million in the previous year to EUR 375.6 million. Besides other effects, this is primarily attributable to investments in property, plant and equipment.

Thus, an amount of EUR 92.0 million (previous year: EUR 23.9 million) was invested in fixed assets, including EUR 63.9 million for advance payments and work in progress, mainly in Lithuania. Taking into account additions and disposals, depreciation and exchange differences, fixed assets increased by a total of EUR 71.3 million from EUR 159.0 million to EUR 230.3 million.

As timber prices were higher than in the previous year, inventories rose slightly to EUR 36.1 million (previous year: EUR 33.1 million). Receivables and other assets climbed from a total of EUR 18.9 million to EUR 22.1 million.

Equity increased further to EUR 107.3 million (previous year: EUR 57.9 million), in particular due to the clearly positive consolidated net income for the year. As a result, the equity ratio improved to 28.6% (previous year: 18.7%) despite the significant increase in total assets. The difference in equity resulting from currency conversion results from conversion differences to the Polish zloty for the Polish production sites. As the plants generate sustainable positive results in euro, we consider this difference recognized in equity as a currently irrelevant valuation result. For the analysis of the change in equity ratio, equity is therefore adjusted for this item. This adjusted equity ratio stood at 32.3% as at the reporting date (previous year: 23.4%).

While provisions were up by noticeable EUR 8.1 million on the previous year to EUR 18.1 million, liabilities picked up slightly from EUR 242.0 million to EUR 249.6 million. Provisions for taxes, personnel expenses and maintenance increased in particular.

The previous bond with a term until June 2022 was repaid early. The repayment was financed by a new bond with an issue volume of EUR 65 million and a term until September 2026 issued in 2021. After the issue, the new bond was topped up by EUR 13 million to EUR 78 million. The refinancing of the old bond reduced interest expenses (from 5.25% to 4.50%) and secured the company's financing structure in the long term.

The increase in liabilities is essentially attributable to the higher bond volume (increase from EUR 60.0 million to EUR 78.0 million) and the rise in trade payables from EUR 26.8 million to EUR 35.5 million. By contrast, liabilities to banks were reduced by EUR 17.8 million to EUR 129.8 million. New borrowings in the amount of EUR 2.5 million were offset by repayments of loans and leasing obligations as well as lower utilization of overdraft facilities. The existing credit lines of EUR 43.7 million were utilized in the amount of EUR 10.9 million.

Financial position

Cash flow from operating activities amounted to EUR 87.9 million in the financial year 2021 (previous year: EUR 43.3 million). This was offset by cash outflows from investing activities in the amount of EUR 87.5 million (previous year: EUR 23.5 million) and net cash inflows from financing activities of EUR 2.2 million (previous year: EUR 47.4 million). Cash inflows from refinancing and topping up the bond as well as new borrowings totalling EUR 20.5 million were offset by repayments and interest paid of EUR 17.6 million.

As of December 31, 2021, the company had liquid funds and free securities in the amount of EUR 85.3 million (previous year: EUR 91.7 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 10.9 million (previous year: EUR 20.0 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 74.3 million (previous year: EUR 71.7 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

While the economy had originally been expected to recover noticeably in 2022 as many of the restrictions imposed in the context of the COVID-19 pandemic were lifted, the war in Ukraine is posing major challenges to the world. According to Fitch Rating analysts, the economic sanctions imposed against Russia have jeopardized the global energy supply. They believe that the supply gap will slow down growth and further fuel inflation. Oil and gas prices have already increased sharply and are causing high costs for the industrial sector; further price increases are possible. In light of current developments, Fitch Rating has clearly downgraded its forecasts for the year 2022.[7]

The experts' expectations for global economic growth have been reduced by 0.7 percentage points to 3.5%. Europe's gross domestic product is now expected to grow by only 3.0% instead of the previously projected 4.5%. According to the ifo Institute, the German economy is also likely to grow less strongly. A baseline scenario assumes only a temporary increase in commodity prices, supply shortages and uncertainties, and subsequently forecasts a 3.1% increase in economic output instead of the previously expected 3.7%.[8] Economic analysis provider Focus Economics projects a growth rate of 3.7% for the Lithuanian economy.[9] Poland's gross domestic product is expected to increase by a maximum of 3.2% in 2022, according to ING Direktbank.[10]

Sector developments

For the global furniture market, the analysts from Research and Markets project an average annual growth rate of 4.5% from 2022 to 2030 based on the current volume of USD 637.26 billion. This puts the total market for 2030 at USD 945.53 billion. This development is mainly driven by the growing real estate sector as well as by increasing demand for high-quality furniture resulting from an improved income situation of broad sections of the population.[11]

In its latest forecast for the full year 2022, the Association of the German Furniture Industry expects the sales volume to remain at the prior-year level. Sales revenues are projected to grow by 10%, as the sharply rising supplier and energy prices will make price adjustments inevitable.[12]

While the supply situation in the Central European MDF/HDF markets improved at the end of the financial year 2021 and at the beginning of 2022, current events are causing restrictions on the supply side and a renewed increase in demand, according to industry information service EUWID. This is primarily attributable to the loss of supplies from Eastern Europe. Plants in Ukraine, for instance, have stopped their MDF/HDF production, and Russian manufacturers' ability to deliver is restricted due to the sanctions. Price increases are therefore expected for the coming months not only because of the higher costs in the timber, energy and logistics sectors but also because of the supply problems.[13]

[7] Fitch Rating: Global Economic Outlook – March 2022, March 21, 2022
[8] ifo Institute: Economic Forecast Spring 2022, March 23, 2022
[9] Focus Economics: Lithuania GDP growth, March 1, 2022
[10] ING Direktbank: Poland – strong GDP in Q4 but downside risk, February 28, 2022
[11] Research and Markets: Furniture Market Report 2022
[12] Association of the German Furniture Industry: Press conference on the economic situation of the industry, February 21, 2022
[13] EUWID, issue 09/22

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 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, however, energy prices are currently rising sharply. Should the war in Eastern Europe continue and a ban on Russian oil and gas be decided, this would influence the availability of energy and further fuel prices. 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.

Disrupted supply chains have already been observed since the outbreak of the COVID-19 pandemic. The current situation is working against a recovery in this area. Material shortages are therefore likely also in the near future and companies will continue to face high raw material prices. Fluctuations in the price of wood and other materials, such as glue, could result in higher costs for the Group. While Homann Holzwerkstoffe intends to pass on such price increases to customers, such increases may temporarily affect earnings, particularly if prices go up at short notice. Moreover, the Group's ability to increase prices will be affected by the competitive situation.

Although the COVID-19 pandemic persists, a return to normal can be observed both in the general public and in the business world. Incidence rates have settled at a high level. 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 are exposed to market risk due to possible changes in exchange rates.

3. Outlook and strategic plans

All of the Group's plants displayed a very good performance in the past financial year. In the first quarter of 2022, the market for thin fibreboards in the core countries supplied by the Group remained very strong. The changed competitive situation made it possible to offset revenue shortfalls relating to the markets in Russia, Belarus and Ukraine. Further consequences of the war against Ukraine are not foreseeable, nor are the effects of increased energy prices and general inflation on the purchasing power of end consumers.

On balance, we expect the market situation to remain stable and – subject to all the existing uncertainties – project a further increase in revenues for the financial year 2022. We assume that EBITDA will stay at a high level, which might be lower than in 2021, however, especially due to the start-up costs for the plant in Lithuania.

Munich, April 27, 2022

Fritz Homann Ernst Keider Helmut Scheel

CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of December 31, 2021

ASSETS

	Item Comment	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
A. Fixed assets			
I. Intangible assets	6.a.		
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets		326,452.43	1,147,747.70
2. Advance payments made		189,154.40	164,092.40
		515,606.83	**1,311,840.10**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		58,865,454.09	43,028,173.39
2. Technical equipment and machinery		88,813,732.55	88,771,537.79
3. Other property, plant and equipment		6,101,626.93	7,048,481.75
4. Advance payments made and work in progress		75,965,241.78	18,856,031.59
		229,746,055.35	**157,704,224.52**
B. Current assets			
I. Inventories			
1. Raw materials and supplies		26,950,831.46	24,350,416.92
2. Unfinished goods		3,204,218.32	3,488,341.16
3. Finished goods and goods for resale		5,870,410.95	5,101,933.06
4. Advance payments made		98,053.95	140,525.76
		36,123,514.68	**33,081,216.90**
II. Receivables and other assets	6.b.		
1. Trade receivables		2,990,461.71	1,551,378.22
2. Other assets		19,088,713.80	17,337,688.34
		22,079,175.51	**18,889,066.56**
III. Investments classified as current assets	6.c.	15,710,703.91	4,479,514.33
IV. Cash holdings, bank deposits and cheques		69,575,204.42	91,027,952.03
		143,488,598.52	**147,477,749.82**
C. Accrued items	6.b.	1,873,075.44	3,502,090.74
D. Assets arising from the overfunding of pension obligations	6.d.	0.00	82,020.84
		375,623,336.14	**310,077,926.02**

LIABILITIES

	Item Comment	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
A. Equity	6.e.		
I. Subscribed capital		25,000,000.00	25,000,000.00
II. Capital reserves		25,564.60	25,564.60
III. Other profit reserves		214,613.17	214,613.17
IV. Equity difference from currency conversion		-13,931,513.73	-14,555,168.43
V. Consolidated retained earnings		95,954,619.58	47,216,409.55
		107,263,283.62	**57,901,418.89**
B. Provisions	6.f.		
1. Provisions for pensions and similar obligations		3,494,739.00	3,084,247.00
2. Provisions for taxes		4,420,159.00	2,109,240.34
3. Other provisions		10,186,404.00	4,801,054.85
		18,101,302.00	**9,994,542.19**
C. Liabilities	6.g.		
1. Bonds		78,000,000.00	60,000,000.00
2. Advance payments received		100,000.00	0.00
3. Liabilities to financial institutions		129,820,720.09	147,574,237.49
4. Trade payables		35,517,496.83	26,820,828.56
5. Other liabilities		6,210,327.40	7,621,019.90
		249,648,544.32	**242,016,085.95**
D. Accrued items		50,206.20	8,878.99
E. Deferred tax liabilities	6.h.	560,000.00	157,000.00
		375,623,336.14	**310,077,926.02**

CONSOLIDATED INCOME STATEMENT

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

	Item Comment	2021 EUR	2020 EUR
1. Revenues	7.a.	334,900,120.07	262,820,173.66
2. Increase/reduction in inventory of finished and unfinished goods		470,280.70	-5,530,292.31
3. Other own work capitalized		1,125,076.70	592,867.75
4. Other operating income	7.b.	9,464,154.84	5,048,744.42
		345,959,632.31	**262,931,493.52**
5. Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-142,364,289.33	-110,937,705.09
b) Cost of purchased services		-23,326,569.02	-21,149,387.56
		-165,690,858.35	-132,087,092.65
Gross profit		**180,268,773.96**	**130,844,400.87**
6. Expenses for personnel	7.c.		
a) Wages and salaries		-42,640,709.05	-35,643,410.64
b) Social security, pensions and other benefits		-7,939,567.27	-7,224,229.95
		-50,580,276.32	-42,867,640.59
7. Depreciation and amortization of intangible and tangible fixed assets		-21,036,504.61	-16,069,871.51
8. Other operating expenses	7.d.	-46,793,426.48	-43,738,911.52
Operating result		**61,858,566.55**	**28,167,977.25**
9. Other interest and similar income		532,792.81	69,855.90
10. Write-down of financial investments and investments classified as current assets		-81,912.97	-1,019,852.77
11. Interest and similar expenditure		-10,404,098.99	-6,868,057.77
Financial result	7.e.	**-9,953,219.15**	**-7,818,054.64**
12. Income taxes	7.f.	-3,167,137.37	-1,216,255.34
13. Earnings after taxes / consolidated net income		**48,738,210.03**	**19,133,667.27**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

		2021 kEUR	2020 kEUR
	Consolidated net income	**48,738**	**19,133**
+/-	Depreciation of assets	21,037	16,070
-/+	Profit/loss from the disposal of fixed assets	-4,351	24
-/+	Other non-cash expenses/income	360	519
-/+	Increase/decrease in inventories	-3,043	1,093
-/+	Increase/decrease in trade receivables	-1,439	929
-/+	Increase/decrease in other assets	3,788	-9,051
-/+	Increase/decrease in provisions	5,234	838
+/-	Increase/decrease in trade payables	8,696	3,747
+/-	Increase/decrease in other liabilities	-866	-1,501
+/-	Income tax expenses/income	3,167	1,216
+/-	Interest expenses / interest income	6,391	5,982
+/-	Currency-related change in assets/liabilities	175	4,267
=	**Cash flow from operating activities**	**87,887**	**43,266**
+	Proceeds from the disposal of tangible assets / intangible assets	4,524	381
-	Cash paid for investments in tangible assets / intangible assets	-92,008	-23,922
=	**Cash flow from investing activities**	**-87,484**	**-23,541**
+	Cash received from raising borrowings	2,500	65,000
+	Cash received from the new bond	78,000	0
-	Cash paid for the redemption of borrowings	-11,249	-11,180
-	Payment to redeem the previous corporate bond	-60,000	0
-	Interest paid	-6,391	-5,982
+	Income taxes paid/refunded	-705	-455
=	**Cash flow from financing activities**	**2,155**	**47,383**
	Change in cash and cash equivalents	2,558	67,108
+	Change in cash and cash equivalents from currency conversion	51	519
+	Cash and cash equivalents at the beginning of the period	71,730	4,103
=	**Cash and cash equivalents at the end of the period**	**74,339**	**71,730**

Composition of cash and cash equivalents	**Dec. 31, 2021 kEUR**	**Dec. 31, 2020 kEUR**
Cash	69,575	91,028
Investments classified as current assets	15,711	653
Liabilities to banks agreed at short notice	-10,947	-19,951
	74,339	**71,730**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2020 to December 31, 2021

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Equity difference from currency conversion EUR	Consolidated retained earnings EUR	Equity EUR
January 1,2020	25,000,000.00	25,564.60	248,801.80	-8,301,592.59	28,082,742.28	45,055,516.09
Currency exchange differences	0.00	0.00	0.00	-6,253,575.84	0.00	-6,253,575.84
Badwill	0.00	0.00	-34,188.63	0.00	0.00	-34,188.63
Consolidated net income	0.00	0.00	0.00	0.00	19,133,667.27	19,133,667.27
December 31, 2020	25,000,000.00	25,564.60	214,613.17	-14,555,168.43	47,216,409.55	57,901,418.89
Currency exchange differences	0.00	0.00	0.00	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


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of December 31, 2021 have been prepared in accordance with the requirements of the German Commercial Code (HGB) applicable to consolidated financial statements. The financial statements of consolidated companies were generally prepared in accordance with the requirements of the respective countries. For the purposes of the consolidated financial statements, the separate financial statements were converted pursuant to sections 300 (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 (2) HGB), other taxes are shown under other operating expenses.

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

2. Consolidated companies

Aside from Homann Holzwerkstoffe GmbH, the following eleven subsidiaries were included in the consolidated financial statements as of December 31, 2021 as fully consolidated companies:

No.	Company	Equity share	Held by	Equity Dec. 31, 2021	Net profit/loss
		%	No.	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Munich			53,241	26,158
2	HOMANIT Holding GmbH, Munich	100.00	1	108,422	36,332
3	Homanit GmbH & Co. KG, Losheim	100.00	2	27,093	13,232
4	Homanit Verwaltungsgesellschaft mbH Losheim	100.00	3	40	2
5	Homanit France SARL, Schiltigheim	100.00	3	29	1
6	Homanit Polska Sp. z o.o., Spolka	99.99	2	58,801	28,339
	Kommandytowa, Karlino	0.01	7		
7	Homanit Polska Sp. z o.o., Karlino	100.00	2	1,191	233
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,280	18
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	26,664	18,610
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	295	2
11	UAB Homanit Lietuva, Pagiriu	100.00	2	58,102	-1,350
12	HOPE Investment Sp. z o.o., Poznan	100.00	6	96	-30

The annual results for nos. 1, 2 and 6 also include corresponding investment income.

3. Consolidation principles

Capital consolidation is performed by offsetting the carrying amount of investments in Group companies against the proportionate balance sheet equity at the time of initial inclusion (book value method). The consolidated financial statements do not show any goodwill from capital consolidation. Badwill is recognized in Group reserves. The purchase method (Neubewertungsmethode) was used for Group companies that were included in the consolidated financial statements for the first time after December 31, 2009. The consolidated financial statements were prepared based on the assumption that the company will continue as a going concern.

Payables and receivables between consolidated companies are offset.

Revenues, income and expenses between consolidated companies are offset.

Interim results with respect to raw materials and supplies as well as finished and unfinished goods from intra-Group deliveries and services as well as gains and losses from intra-Group sales of fixed assets are eliminated unless they are of minor importance.

4. Currency translation

The balance sheets of consolidated companies prepared in a foreign currency are translated at the rate in effect as of December 31, while income statements are generally translated at the average rate for the financial year. The equity included in capital consolidation is translated at historical rates. Rate differences from the translation of subscribed capital as well as profit carried forward from subsequent consolidation are recognized in the difference in equity resulting from currency translation. The differences from translation of annual results at average rates are recognized in Group reserves with no effect on profit or loss. Rate differences arise from the translation of payables and receivables denominated in a foreign currency where the translation rate has changed between the time the payable or receivable arose and the balance sheet date. These rate differences are also recognized as differences in equity resulting from currency translation with no effect on profit or loss.

5. Accounting policies

HHW's accounting policies also apply to the consolidated financial statements. Annual financial statements prepared in accordance with Polish and Lithuanian law were generally adjusted to conform with the consolidated accounting guidelines under HGB.

Intangible assets are measured at cost of purchase, less scheduled straight-line depreciation. Intangible assets are typically depreciated based on a useful life of 2-8 years.

Tangible fixed assets are measured at cost of purchase or manufacture less scheduled depreciation. The latter consists in part of the expenses incurred until the time the facilities reached operable condition, including debt interest accruing during the construction period. Amortization and depreciation are carried out using the straight-line method based on the expected useful life of the asset and in accordance with tax provisions. The useful life of land, leasehold rights and buildings, including buildings on unowned land, is 10-75 years, the useful life of technical equipment and machinery and the useful life of fixtures, fittings and equipment is 2-15 years.

Financial assets are measured at cost of purchase. Required valuation adjustments are applied.

Inventories are measured at cost of purchase and cost of manufacture according to the strict lower of cost or market principle. **Finished** and **unfinished goods** are measured at cost of manufacture according to the strict lower of cost or market principle. Cost of manufacture consists in part of direct material and production unit costs as well as the necessary material and production overhead costs. Administrative costs and cost of sales are not included in the cost of manufacture.

Receivables and other assets are recognized at nominal values. Individual impairments are undertaken for individual risks. Foreign-currency receivables are recognized at the time of acquisition using the exchange rate in effect on the transaction date. On the balance sheet date, foreign-currency receivables are measured using the spot exchange rate on that date, with due regard for the realization and acquisition cost principle.

Investments classified as current assets are recognized at cost. They are written down to the lower fair value if the market value is below the cost of acquisition on the effective date. A write-up is performed when the market value increases again. The cost of acquisition is the upper limit for the valuation.

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 December 31 are recognized in **prepaid expenses**.

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

With regard to recognition of the **assets arising from the overfunding of pension obligations** in the previous year, 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 (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 1.35%.

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

6. Notes to the consolidated balance sheet

a) Fixed assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Date Jan. 1, 2021 EUR	Reclassi-fications EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2021 EUR	Date Jan. 1, 2021 EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2021 EUR	Date Dec. 31, 2021 EUR	Date Jan. 1, 2021 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	7,114,154.26	11,445.97	256,999.53	1,192,057.86	-2,191.52	8,572,466,10	5,966,406.56	1,093,974.12	1,192,057.86	-6,624.87	8,245,813.67	326,652.43	1,147,747.70
2. Advance payments made	164,092.40	0.00	25,062.00	0.00	0.00	189,154.40	0.00	0.00	0.00	0.00	0.00	189,154.40	164,092.40
	7,278,246.66	11,445.97	282,061.53	1,192,057.86	-2,191.52	8,761,620.50	5,966,406.56	1,093,974.12	1,192,057.86	-6,624.87	8,245,813.67	515,806.83	1,311,840.10
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	78,021,420.27	983,440.66	17,003,357.17	-85,252.29	173,917.72	96,096,883.53	34,993,246.88	2,271,599.60	-77,739.24	44,322.20	37,231,429.44	58,865,454.09	43,028,173.39
2. Technical equipment and machinery	191,566,559.25	5,704,493.83	9,397,096.35	-1,550,197.03	505,249.00	205,623,201.40	102,795,021.46	15,201,295.10*)	-1,394,645.43	207,797.72	116,809,468.85	88,813,732.55	88,771,537.79
3. Other property, plant and equipment	19,815,920.20	90,386.39	1,424,771.69	-1,079,789.12	36,859.47	20,288,148.63	12,767,438.45	2,469,635.79	-1,069,639.01	19,086.47	14,186,521.70	6,101,626.93	7,048,481.75
4. Advance payments made and work in progress	18,856,031.59	-6,789,766.85	63,900,648.73	0.00	-1,671.69	75,965,241.78	0.00	0.00	0.00	0.00	0.00	75,965,241.78	18,856,031.59
	308,259,931.31	-11,445.97	91,725,873.94	-2,715,238.44	714,354.50	397,973,475.34	150,555,706.79	19,942,530.49	-2,542,023.68	271,206.39	168,227,419.99	229,746,055.35	157,704,224.52
	315,538,177.97	0.00	92,007,935.47	-1,523,180.58	712,162.98	406,735,095.84	156,522,113.35	21,036,504.61	-1,349,965.82	264,581.52	176,473,233.66	230,261,862.18	159,016,064.62

*) thereof unscheduled kEUR 4,272

b) Receivables, other assets, accrued and deferred items

There are no receivables with residual terms of more than one year; residual terms of more than one year exist for other assets in the amount of kEUR 2,857 (previous year: kEUR 2,682) and for deferred items in the amount of kEUR 472 (previous year: kEUR 707).

Significant items recognized in **other assets** include an investment in a limited partnership in the amount of kEUR 2,846 (previous year: kEUR 2,675), tax refund claims amounting to kEUR 7,400 (previous year: kEUR 5,883), receivables from factoring companies amounting to kEUR 7,432 (previous year: kEUR 6,923) as well as refiner manufacturing costs of kEUR 1,235.

Accrued items primarily include the prepaid expenses from rental and leasing payments of kEUR 9 (previous year: kEUR 45) as well as insurance contributions and processing fees for loan applications for the time after December 31, 2021.

c) Other securities

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

	Dec. 31, 2021 kEUR	Dec. 31, 2020 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	0	3,827
Other fund shares / other securities	15,711	653
	15,711	4,480

d) Assets arising from the overfunding of pension obligations

Please refer to the explanations under item 6.f.

e) Equity

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

Pursuant to commercial register entries, the following shareholder relationships existed as of December 31, 2021:

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

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

Other profit reserves resulted from the change of accounting rules implemented as a result of the German Accounting Modernization Act (BilMoG) in the amount of kEUR 22 and from badwill in the amount of kEUR 193. Badwill relates to HOPE Investment Sp. z o.o. (kEUR 111), Homatrans Sp. z o.o. (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2) and arose exclusively from retained earnings from the period prior to the first-time 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 -14,555 to kEUR -13,932 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, 2021	47,216,409.55
Consolidated net income	48,738,210.03
Consolidated retained earnings as of December 31, 2021	95,954,619.58

Amounts totalling kEUR 299 (previous year: kEUR 365) may not be distributed pursuant to section 253 (6) sentence 1 HGB and due to first-time application of the German Accounting Modernization Act (BilMoG).

f) Provisions

The projected unit credit method for the pension provisions was applied as the actuarial calculation method for the subsidiaries, while the modified entry age normal method was used for the parent company based on the "2018 G" tables of Prof. Dr. Klaus Heubeck.

The calculation was based on the following assumptions:

	Dec. 31, 2021
Interest rate at the beginning of the financial year	2.30%
Interest rate at the end of the financial year	1.87%
Anticipated wage and salary increases p.a.	0.00%
Expected pension increases p.a.	1.50%
Staff turnover p.a.	3.30%

As of December 31, 2021, an amount of kEUR 20 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 278 pursuant to section 253 (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 (1.35%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2021 as well as from previous years.

Other provisions primarily involve obligations to employees (e.g. leave, anniversaries, profit shares, overtime, contributions to professional associations), warranty and bonus obligations to customers and imminent losses from pending transactions, contingent liabilities as well as deferred maintenance.

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 (2) sentence 2 HGB. For recognition in the balance sheet, the liabilities in connection with early retirement arrangements, in the amount of kEUR 200, were netted out with plan assets at fair value, in the amount of kEUR 86. This results in recognition of a provision of kEUR 114.

Securities are measured based on the strict lower of cost or market principle; securities which are not netted out (kEUR 863; previous year: kEUR 653) are freely marketable and no longer serve as hedges against claims in connection with early retirement liabilities. Correspondingly, interest earned on securities serving to hedge early retirement claims was offset against interest expenses from the compounding of early retirement provisions.

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

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

The **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 (beginning on September 12, 2021). 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, 2021.

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

The remaining liabilities are unsecured.

Other liabilities essentially comprise liabilities from the financing of fixed asset items (lease purchase and leasing agreements) of kEUR 661 (previous year: kEUR 1,546) and wages outstanding in the amount of kEUR 1,896 (previous year: kEUR 1,804) as well as accrued interest under the bond issue in the amount of kEUR 1,067 (previous year: kEUR 1,715). Taxes accounted for kEUR 709 (previous year: kEUR 532) and social insurance contributions for kEUR 1,344 (previous year: kEUR 1,300).

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 150 (previous year: kEUR 162), from losses carried forward in the amount of kEUR 0 (previous year: kEUR 400) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 54 (previous year: kEUR 78). Deferred tax liabilities of kEUR 764 (previous year: kEUR 797) result from different values recognized in the commercial balance sheet and the tax balance sheet. Deferred tax assets were offset against deferred tax liabilities. In calculating deferred tax assets, tax loss carry-forwards are only taken into account to the extent that estimated future income would allow the deduction of those losses. For the calculation of deferred taxes, a tax rate consistent with the entity's legal form was applied to the differences between the commercial balance sheet and the tax balance sheet, as well as to tax loss carry-forwards. Tax rates of between 15% and 26.5% were used.

7. Notes to the consolidated income statement

a) Revenues

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

	2021 kEUR	2020 kEUR
Germany	72,506	62,504
European Union	232,854	181,365
Other foreign countries	29,540	18,951
	334,900	262,280

b) Other operating income

The main item recognized in other operating income were currency exchange gains of kEUR 4,787 (previous year: kEUR 3,232); as in the financial year 2020, they were realized in full. An amount of kEUR 277 of other operating income relates to previous years. Trading in air pollution permits and the sale of fixed assets resulted in income of kEUR 3,695.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 50,580 (previous year: kEUR 42,868) include expenses for old-age provisions of kEUR 245 (previous year: kEUR 160). In the financial year 2020, an amount of kEUR 1,520 was reimbursed to the Group due to short-time work caused by the coronavirus pandemic. The reimbursements were offset against expenses for personnel. Social security contributions include expenses for allocations to pension provisions from the first-time adoption of the BilMoG Act in the amount of kEUR 7 (previous year: kEUR 7).

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

	2021	2020
White-collar employees	345	331
Blue-collar employees	1,225	1,184
Total	1,570	1,515

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 15,984 (previous year: kEUR 15,206), repair and maintenance costs as well as costs of performance in the amount of kEUR 13,200 (previous year: kEUR 8,996), administrative costs of kEUR 9,329 (previous year: kEUR 9,915) and currency exchange losses of kEUR 4,623 (previous year: kEUR 8,441). In the financial year 2021, there were realized currency exchange losses of kEUR 3,218 and unrealized currency exchange differences of kEUR 1,405. Besides this, other tax expenses in the amount of kEUR 1,311 (previous year: kEUR 1,132) are also reported.

e) Financial result

Interest and similar income resulted in particular from the investment in securities and deposits in the amount of kEUR 669; negative interest (custodian fee for bank balances) in the amount of kEUR 145 was offset against it.

Write-downs on financial assets and investments classified as current assets relate to write-downs on investments classified as current assets in the amount of kEUR 82 (previous year: kEUR 20) and, in the previous year, to the write-down on an investment in a partnership held as a current asset in the amount of kEUR 1,000.

Interest expenses primarily include interest on the bond as well as interest on loans from the lending banks in the amount of kEUR 5,912, interest from leasing and factoring in the amount of kEUR 418, processing fees for loan applications and the costs of refinancing the bond in the amount of kEUR 3,295. The compounding of non-current provisions resulted in expenses of kEUR 238 (previous year kEUR 235) and the micro-hedge for hedging interest rate risks resulted in further expenses of kEUR 257.

f) Income taxes

This item breaks down as follows:

	2021 kEUR	2020 kEUR
Deferred taxes resulting from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet	379	523
Trade tax	2,097	313
Corporate income tax	667	849
Deferred taxes from consolidation	24	- 260
Trade tax from previous years	0	65
Polish income tax	0	126
Deferred taxes on losses carried forward	0	- 400
	3,167	1,216

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

8. Contingent liabilities and other financial obligations

No **contingent liabilities** existed as of December 31, 2021.

As of the balance sheet date, other **financial obligations** amounted to kEUR 12,724 (previous year: kEUR 11,561). These obligations involve rental, leasing and leasehold agreements. There is also a liability from plant orders amounting to kEUR 64,667 (previous year: kEUR 10,678).

An underwriting agreement exists with two credit institutions, as well as an associated agreement concerning financial instruments for hedging against interest rate risks. The transaction is a micro-hedge. A negative market value of kEUR -355 existed as of December 31, 2021 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.

9. Post-balance sheet events

In February 2022, i.e. after the end of the financial year, the war in Ukraine began. The consequences of this armed conflict as well as the sanctions imposed on Russia to date may have an impact on the Group, which cannot be qualified at this stage. At the present time, the Group is not aware of any charges that had a particular impact on the assets, financial and earnings position as of December 31, 2021. Insofar, please refer to the information provided in the Group management report.

10. Other information

Group relationships

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

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

Use of section 264b HGB (German Commercial Code)

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

Appropriation of earnings

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

Management

Managing Directors of Homann Holzwerkstoffe GmbH are:

- **Mr Fritz Homann**,
  Managing Partner, Munich,
- **Mr Ernst Keider**,
  Technical Managing Director, Saarlouis,
- **Mr Helmut Scheel**,
  Commercial Managing Director, Germering.

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

Pension payments of kEUR 10 were made to the widow of a former Managing Director in the financial year. The pension provision established for this purpose amounts to kEUR 20.

Fees

The fees recognised as expenses in the financial year 2021 pursuant to section 314 (1) No. 9 HGB relate to auditing services (kEUR 145), other certification services (kEUR 9) and tax consulting services (kEUR 7).

Munich, April 27, 2022

Fritz Homann Ernst Keider Helmut Scheel

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

INDEPENDENT AUDITOR'S REPORT

To 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 2021, 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 2021 to 31 December 2021, 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 2021 to 31 December 2021.

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 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 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 2021 annual report, which is expected to be made available to us after the date of this auditor's report, but not the consolidated financial statements, not the group management report and not our associated auditor's report.

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

[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 of the consolidated financial statements, it is our responsibility to read the other information mentioned above – as soon as it becomes available – and in doing so to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report 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 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

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

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

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

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

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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 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Tim Bonnecke	Till Geller
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Homann Holzwerkstoffe GmbH
Adalbert-Stifter-Straße 39a
81925 Munich

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

E-mail: info@homanit.org