Interim Group Report 2020
Homann Holzwerkstoffe GmbH

Interim Group Report
Homann Holzwerkstoffe GmbH

for the period from January 1, 2020 to June 30, 2020

TABLE OF CONTENTS


HOMANIT
HOMANIT

FOREWORD

Dear Reader,

An eventful first half of 2020 lies behind us. The coronavirus pandemic has greatly changed and restricted the entire economic, social and cultural life – especially in the second quarter – and has presented us all with new challenges.

While the financial year 2020 got off to a positive start for Homann Holzwerkstoffe Group, with both revenues and earnings developing according to plan in the first quarter, the outbreak of the pandemic led to a decline in capacity utilization at our three plants in Germany and Poland in the months of April and May. Fortunately, however, a significant recovery began already in June and we were able to close the first two months of the third quarter better than originally planned, both in terms of revenues and earnings.

Under the influence of the pandemic, revenues of Homann Holzwerkstoffe Group were down on the prior-year period to EUR 117.4 million in the first half of 2020. Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), our most important performance indicator, reached EUR 19.8 million in the reporting period with a margin of 17.0%. At EUR 5.3 million, consolidated net income was clearly positive in the first half of the year and equity increased to EUR 46.6 million in the reporting period, which corresponds to an equity ratio of 19.2%, compared to 18.3% at the end of 2019.

Even though the figures for the first half of 2020 were affected by the pandemic, we have come through the difficult months of the crisis well all in all. With the exception of April and May, all of the Group’s plants showed good capacity utilization. After the promising months of July and August, we are cautiously optimistic for the second half of the year as a whole that we will be able to partially make up for the revenue shortfall of the first half of the year and almost completely offset the decline in earnings, and that EBITDA will reach the prior-year level.

Against this background and on the basis of our solid liquidity position, we are well positioned in the medium to long term. The investments in the existing plants will therefore be made as planned this year.

We look forward to taking this path together with you and thank all our employees, customers and business partners for their trust in us.

Yours sincerely,

Fritz Homann
Managing Director of Homann Holzwerkstoffe GmbH

INTERIM GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2020

A. Fundamentals of the Group

Group structure and business model

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

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

To push ahead with the further development of the Group, UAB Homanit Lietuva was established in the course of the financial year 2019. This was done with the aim of erecting the Group's fourth plant in Lithuania in the coming years so as to be able to meet the demand for products in an even more customer-oriented manner. The contract for the acquisition of the corresponding industrial areas near Vilnius is to be signed within the next weeks. Production is scheduled to start in 2022.

B. Economic report

1. Economic environment

Macroeconomic situation

The coronavirus pandemic has led to a sharp drop in global economic output. As a result of extensive lockdown measures and further restrictions to contain the virus, many countries have slid into a severe recession. According to the latest forecast by the International Monetary Fund (IMF) of June 2020, the world economy will contract by 4.9% in the full year 2020. The combined gross domestic product for the industrialized countries will decline by 8.0%, and a 3.0% reduction in economic output is projected by the IMF for the emerging and developing countries. A 7.8% decline is expected for the German economy. Gross domestic product in Poland, the company's most important output market, is likely to decrease by 4.6%.[1]

Sector developments

The German furniture industry declined sharply in the first half of 2020. The first negative tendencies became apparent after the spread of the coronavirus and subsequent lockdown measures in Asia, and eventually led to bottlenecks in the supply chains in Europe as well. With the outbreak of the pandemic in Germany and the closure of furniture stores, the furniture manufacturers' sales slumped by double-digit percentages in both April and May. Even though there have been signs of a recovery since June, revenues in the furniture sector were down by 9.8% on the previous year to EUR 8.1 billion in the first six months of 2020, according to the Association of the German Furniture Industry (VDM). Foreign sales were affected particularly strongly and dropped by 13.2%. Domestic sales in the first six months of the year were down by 8.2% on the first half of 2019.[2]

1 IMF June 2020 – World Economic Outlook
2 VDM press release dated August 24, 2020


BÜRKLE

In spite of a 12.6% decline, Poland remains the most important country of origin for German furniture imports. According to the Association of the German Furniture Industry, more than one in four pieces of furniture imported into Germany come from Poland.

Within the various segments of the German furniture industry, sales of kitchen furniture were least affected by the crisis, with manufacturers recording merely a 2.3% drop in revenues to roughly EUR 2.5 billion. The office furniture industry generated revenues of EUR 983 million, which corresponds to a decline by 10.9%. The "other furniture" segment recorded a 14.3% drop to EUR 3.0 billion.[2]

Incoming orders in the market segment for thin and refined boards with thicknesses of up to 3 mm, on which Homann Group focuses, picked up again at the beginning of the year. In general, the market in the core countries supplied by Homann Holzwerkstoffe Group was stable in the first quarter of 2020. As a result of the coronavirus pandemic, sales volumes dropped by as much as up to 50% in the months of April and May; as of June, demand for MDF/HDF boards picked up slightly, and manufacturers' capacity utilization, which had temporarily collapsed, is now increasing again.[3]

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 2020, Homann Holzwerkstoffe Group generated revenues of EUR 117.4 million (prior year period: EUR 140.2 million). The Group reported EBITDA of EUR 17.2 million (prior year period: EUR 25.7 million), while EBITDA adjusted for one-time effects from exchange rate fluctuations amounted to EUR 19.8 million (prior year period: EUR 24.8 million). This corresponds to an EBITDA margin of 17.0% (prior year period: 17.7%).

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

3. Business trend and situation

Earnings position

Revenues in the first half of 2020 declined by EUR 22.8 million to EUR 117.4 million compared to the same period of the previous year. While sales in the first quarter were still according to plan, the months of April and May saw revenues drop sharply due to the impact of the coronavirus pandemic on the output markets. In June, revenues stabilized at the planned level.

Due to lower raw material costs for wood and glue, the cost of materials as a percentage of total output was reduced compared to the previous year and stood at 53.1%.

During the temporary lockdown in the second quarter, the instrument of short-time work (and its equivalent in Poland) was used during certain phases at the three plants. Personnel expenses and social security contributions were reimbursed in the amount of EUR 1.5 million, leading to a commensurate reduction in personnel expenses. However, this reduction was lower than the decline in revenues. Consequently, the personnel expenses ratio increased from 14.9% in the prior year period to 16.5%. At 1,497, the average number of employees was slightly higher than in the previous year (1,474).

Other operating expenses rose from EUR 19.0 million to EUR 20.7 million. This includes expenses from changes in exchange rates of EUR 4.4 million. Considerable savings were achieved with regard to other items such as freight, sales and administrative

[2] VDM press release dated August 24, 2020
[3] EUWID 28_2020

expenses. Only the repair and maintenance expenses rose slightly, as the lockdown phase was used for early maintenance.

At the bottom line, the company achieved a solid operating result before depreciation and amortization despite the sharp drop in revenues. Reported EBITDA amounted to EUR 17.2 million, compared to EUR 25.7 million in the same period of the previous year. This change is mainly due to a lack of profit contributions from the lower revenues as well as to exchange rate effects.

Adjusted for one-time effects from exchange rate fluctuations in the first half of 2020 and the corresponding prior year period, EBITDA amounted to EUR 19.8 million, compared to EUR 24.8 million in the previous year. While this means that the company failed to meet its original projections, the adjusted projections established in the meantime to reflect the effects of the coronavirus pandemic were exceeded.

Interest expenses decreased from EUR 3.9 million to EUR 3.3 million due to the scheduled repayments made in the financial year. With interest-bearing receivables fully repaid in the previous year, no material interest income was generated in the reporting period.

Consolidated net income totalled EUR 5.3 million (adjusted: EUR 7.9 million). Net income in the first half of 2019 amounted to EUR 13.7 million (adjusted: EUR 16.8 million). In view of the challenging environment in the second quarter of 2020, the result achieved despite the downturn underlines the very stable basic profitability of the company and the crisis-proof nature of its business model.

Assets position

Total assets fell by EUR 2.7 million from EUR 246.1 million in the previous year to EUR 243.4 million.

In the first half of 2020, investments in fixed assets amounting to EUR 9.5 million (prior year period: EUR 6.4 million) were made, primarily for advance payments for real estate as well as the optimization of finishing aggregates. Taking into account depreciation, asset disposals and exchange rate differences, fixed assets decreased by EUR 5.6 million from EUR 162.6 million to EUR 157.0 million. At EUR -6.8 million, exchange rate differences played an important role in this context.

Inventories were reduced slightly to EUR 33.4 million (previous year: EUR 34.2 million). Receivables and other assets rose from EUR 16.1 million to EUR 17.9 million, mainly due to the EUR 6.9 million increase in factoring receivables and the simultaneous reduction in tax refund claims by EUR 4.0 million.

Equity increased further to EUR 46.6 million (previous year: EUR 45.1 million) due to the fact that consolidated net income for the year exceeded the negative effects of currency translation recognized in equity. The equity ratio thus climbed to 19.2% (previous year: 18.3%).

While provisions remained more or less unchanged at EUR 8.8 million, liabilities declined from EUR 191.9 million to EUR 187.4 million. The reduction in liabilities is mainly attributable to a decrease in liabilities to banks by EUR 2.7 million to EUR 92.1 million resulting from the repayment of loans and lease obligations, while the utilization of overdraft facilities increased slightly.

Financial position

Cash flow from operating activities amounted to EUR 14.0 million in the first half of 2020 (prior year period: EUR 13.8 million). This was offset by cash outflows from investing activities in the amount of EUR 9.4 million (prior year period: EUR 6.1 million) and net cash outflows from financing activities of EUR 6.0 million (prior year period: EUR 8.6 million), which primarily comprise repayments and interest. At the bottom line, this reduced cash and cash equivalents by EUR 1.4 million.

As of June 30, 2020, the company had cash, cash equivalents and free securities in the amount of EUR 28.3 million (previous year: EUR 30.1 million) as well as free credit lines of EUR 17.8 million (previous year: EUR 19.0 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 25.2 million (previous year: EUR 26.0 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 3.1 million (previous year: EUR 4.1 million).

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

C. Forecast, opportunity and risk report

1. Future developments

Macroeconomic developments

In its latest World Economic Outlook of June 2020, the IMF assumes a slower recovery than originally expected. While some countries are better at keeping the pandemic under control, emerging and developing countries in particular, but also the USA, are still struggling with high and/or rising infection rates. The further course of the pandemic and the resulting measures to be taken have a material influence on the world economy, which is why forward-looking statements are subject to greater uncertainty than usual.[4]

According to the Federal Ministry of Economics and Energy, an economic recovery is on the cards for the German economy, with a strong increase in gross domestic product projected for the third quarter of 2020. After this initial countermovement, however, the recovery process is expected to slow down. In Germany, too, further economic developments depend on the future course of the pandemic across the globe.[5]

Sector developments

As incoming orders have been at a high level since May, the VDM projects rising revenues for the furniture industry in the third quarter of 2020 and is therefore optimistic about the future. The GfK consumer climate survey of July additionally shows that German consumers' income expectations and propensity to buy have increased.[6] Moreover, the reduced value added tax rate is expected to result in furniture purchases being brought forward towards the end of the year. For the year as a whole, the VDM projects a 5% decline in revenues (2019: EUR 17.9 billion). The VDM also believes that the export markets that have been hit harder by the pandemic will recover relatively quickly and return to the 2019 level as of 2021.[7]

The market for MDF and HDF boards has been showing a gradual recovery since June. For the third quarter of 2020, the prices already negotiated remain at a stable level. According to trade me-

[4] IMF June 2020 – World Economic Outlook
[5] Federal Ministry of Economics and Energy, August 14, 2020
[6] GfK pres release dated May 27, 2020
[7] VDM press release dated August 24, 2020

dia provider EUWID, MDF and HDF manufacturers may demand price increases for the fourth quarter.[8] A study by Swedish consulting company AFRY suggests that worldwide production of wood-based boards will decline by 8.6% to 321 million m3 in 2020. A decline by 9 million m3 is forecast for Europe.[9]

2. Future opportunities and risks

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

Sales and revenue risks exist above all in connection with a possible worsening in general economic performance, resulting in a decrease in demand, and from competition with other manufacturers, which could result in price drops or market share losses in the future. Risks also exist in connection with the loss of key accounts.

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

Risks to the Group's earnings exist in connection with possible cost increases. In the sphere of energy policy, we expect the existing rules and subsidies for energy-intensive companies (the renewable energy levy) to remain in effect. Where raw materials are concerned, fluctuations in the price of wood and other materials, such as glue, could result in higher costs. While the Group intends to pass on such price increases to customers, such increases may temporarily affect earnings, particularly if prices go up at short notice. Moreover, the Group's ability to increase prices will be affected by the competitive situation.

With regard to personnel, the Group has long-term relationships with qualified employees. Risks may arise if the Group is unable to find qualified employees to replace departing specialists or to fill newly created jobs, or if costs increase due to the shortage of skilled workers. As a result, automation is expected to play a more important role in the future.

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.

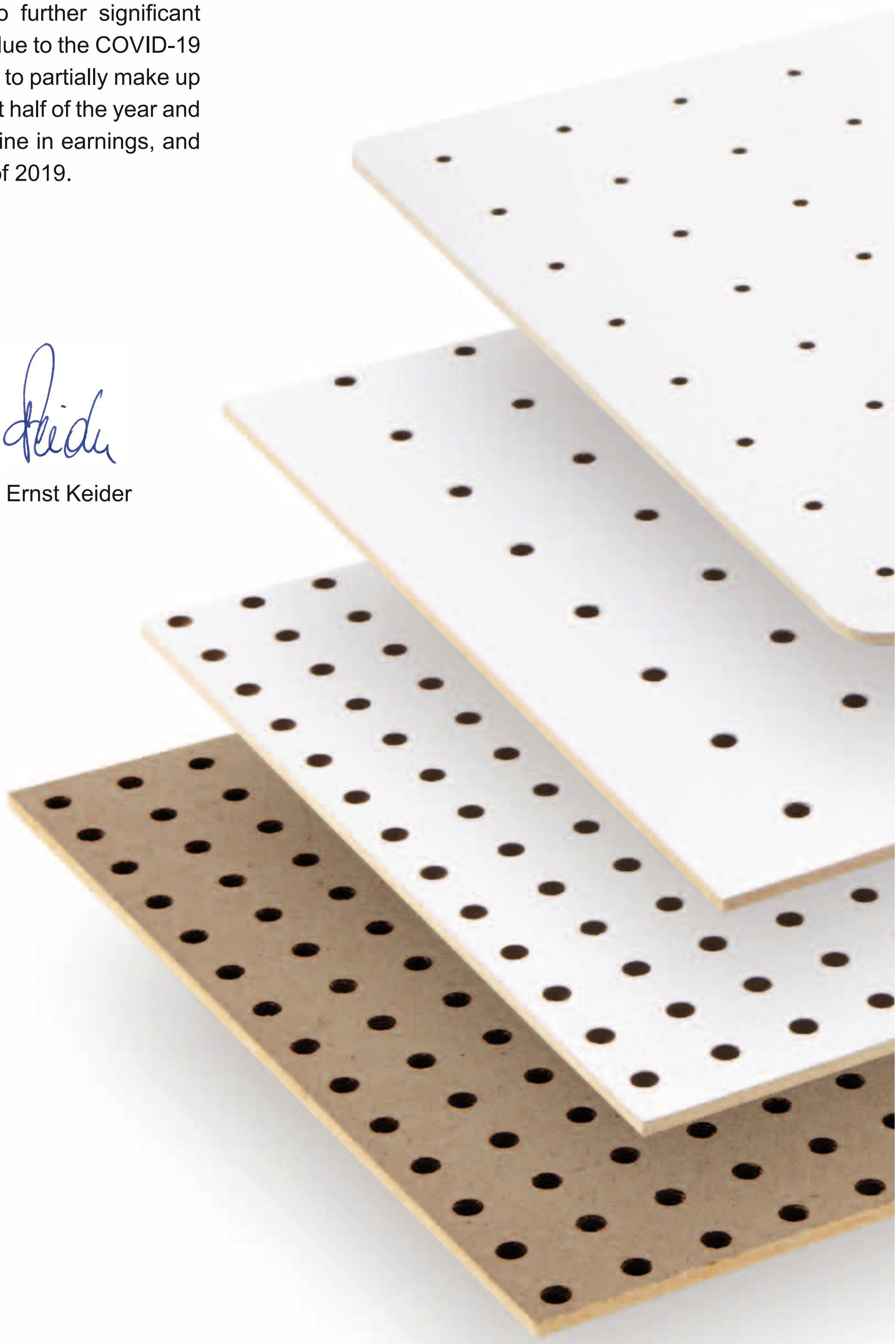
[8] EUWID 34_2020
[9] AFRY May 2020

3. Outlook and strategic plans

With the exception of April and May, all of the Group's plants performed well. The months of July and August were much stronger than planned in terms of both revenues and earnings; consequently, management is cautiously optimistic for the second half of the year – based on the assumption and the prevailing uncertainty that there will be no further significant restrictions on economic activity due to the COVID-19 pandemic – that it will be possible to partially make up for the revenue shortfall of the first half of the year and almost completely offset the decline in earnings, and that EBITDA will reach the level of 2019.

Munich, September 18, 2020

Fritz Homann Ernst Keider



CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich, as of June 30, 2020

ASSETS

	Item Comment	Jun. 30, 2020 EUR	Dec. 31, 2019 EUR
A. Fixed assets			
I. Intangible assets	6.a.		
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets		1,492,725.46	1,956,729.52
2. Advance payments made		148,070.40	142,464.00
		1,640,795.86	**2,099,193.52**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		43,563,960.47	44,184,263.16
2. Technical equipment and machinery		94,724,818.80	103,873,599.89
3. Other property, plant and equipment		6,048,098.01	5,912,964.25
4. Advance payments made and work in progress		10,988,951.21	6,523,282.89
		155,325,828.49	**160,494,110.19**
III. Financial assets	6.b.		
Equity investments		15,178.50	15,178.50
		156,981,802.85	**162,608,482.21**
B. Current assets			
I. Inventories			
1. Raw materials and supplies		20,569,174.55	19,948,381.65
2. Unfinished goods		4,951,880.84	5,114,874.95
3. Finished goods		7,360,334.22	9,013,460.13
4. Advance payments made		499,642.21	96,911.90
		33,381,031.82	**34,173,628.63**
II. Receivables and other assets	6.c.		
1. Trade receivables		1,634,358.21	2,480,399.72
2. Other assets		16,305,958.42	13,645,620.60
		17,940,316.63	**16,126,020.32**
III. Investments classified as current assets	6.d.	4,427,314.09	2,118,700.66
IV. Cash holdings, bank deposits and cheques		27,584,216.46	29,579,521.46
		83,332,879.00	**81,997,871.07**
C. Accrued items	6.c.	2,991,952.82	1,278,422.96
D. Assets arising from the overfunding of pension obligations	6.e.	72,409.20	175,708.23
		243,379,043.87	**246,060,484.47**

LIABILITIES

	Item Comment	Jun. 30, 2020 EUR	Dec. 31, 2019 EUR
A. Equity	6.f.		
I. Subscribed capital		25,000,000.00	25,000,000.00
II. Capital reserves		25,564.60	25,564.60
III. Other profit reserves		248,801.80	248,801.80
IV. Equity difference from currency conversion		-12,004,307.29	-8,301,592.59
V. Consolidated retained earnings		33,374,681.76	28,082,742.28
		46,644,740.87	**45,055,516.09**
B. Provisions	6.g.		
1. Provisions for pensions and similar obligations		2,985,526.00	2,769,719.00
2. Provisions for taxes		854,255.03	964,799.73
3. Other provisions		4,937,994.00	5,107,646.74
		8,777,775.03	**8,842,165.47**
C. Liabilities	6.h.		
1. Bonds		60,000,000.00	60,000,000.00
2. Silent partnership		4,000,000.00	4,000,000.00
3. Advance payments received		467,000.00	467,000.00
4. Liabilities to financial institutions		92,149,618.33	95,800,582.05
5. Trade payables		22,785,758.12	23,074,484.98
6. Other liabilities		7,994,839.56	8,519,868.93
		187,397,216.01	**191,861,935.96**
D. Accrued items		5,911.96	6,866.95
E. Deferred tax liabilities	6.i.	553,400.00	294,000.00
		243,379,043.87	**246,060,484.47**

CONSOLIDATED INCOME STATEMENT

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

	Item Comment	Jan. 1 to Jun. 30, 2020 EUR	Jan. 1 to Dec. 31, 2019 EUR	Jan. 1 to Jun. 30, 2019 EUR
1. Revenues	7.a	117,412,492.83	273,771,609.10	140,238,467.17
2. Reduction in inventory of finished and unfinished goods		-1,229,657.64	1,083,867.67	-818,988.41
3. Other own work capitalized		318,724.70	1,018,786.91	498,784.80
4. Other operating income	7.b	2,425,368.91	5,482,229.94	2,469,445.02
		118,926,928.80	**281,356,493.62**	**142,387,708.58**
5. Cost of materials				
a) Cost of raw materials and consumables and goods for resale		-51,988,931.37	-131,979,835.37	-66,571,519.69
b) Cost of purchased services		-9,847,299.76	-19,236,228.25	-10,265,692.54
		-61,836,231.13	-151,216,063.62	-76,837,212.23
Gross profit		**57,090,697.67**	**130,140,430.00**	**65,550,496.35**
6. Expenses for personnel	7.c			
a) Wages and salaries		-16,013,976.58	-36,150,976.88	-17,482,280.47
b) Social security, pensions		-3,183,285.57	-6,729,192.22	-3,390,889.82
and other benefits		-19,197,262.15	-42,880,169.10	-20,873,170.29
7. Depreciation and amortization of intangible and tangible fixed assets		-8,133,896.64	-16,299,671.46	-8,089,377.09
8. Other operating expenses		-20,653,731.24	-39,645,925.41	-18,980,292.47
Operating result		**9,105,807.64**	**31,314,664.03**	**17,607,656.50**
9. Income from other securities and loans classified as financial assets		32,446.32	0.00	0.00
10. Other interest and similar income		4,272.09	928,710.27	421,906.20
11. Write-down of financial investments and investments classified as current assets		0.00	-14,691.03	0.00
12. Interest and similar expenditure		-3,264,326.98	-7,193,718.60	-3,885,907.99
Financial result	7.e	**-3,227,608.57**	**-6,279,699.36**	**-3,464,001.79**
13. Income taxes	7.f	-586,259.59	-3,019,313.93	-481,299.01
14. Earnings after taxes / consolidated net income		**5,291,939.48**	**22,015,650.74**	**13,662,355.70**

CONSOLIDATED CASH FLOW STATEMENT

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

		Jan. 1 to Jun. 30, 2020 kEUR	Jan. 1 to Dec. 31, 2019 kEUR	Jan. 1 to Jun. 30, 2019 kEUR
	Consolidated result	**5,292**	**22,016**	**13,662**
+/–	Depreciation of assets	8,134	16,300	8,089
–/+	Other non-cash expenses/income	6,533	-4,374	-1.648
–/+	Profit/loss from the disposal of fixed assets	92	63	-84
–/+	Increase/decrease in inventories	793	1,050	1,653
–/+	Increase/decrease in trade receivables	846	-879	-1,647
–/+	Increase/decrease in receivables from shareholders and affiliated companies	0	142	-476
–/+	Increase/decrease in other assets	-6,443	7,041	-3,344
+/–	Increase/decrease in provisions	-64	1,114	721
+/–	Increase/decrease in trade payables	-289	-6,081	-5,677
+/–	Increase/decrease in liabilities to shareholders and affiliated companies	0	-145	401
+/–	Increase/decrease in other liabilities	-267	-171	-1,512
+/–	Interest expenses / interest income	2,859	2,854	3,304
+/–	Currency-related change in assets/liabilities	-4,127	-1,094	230
+/–	Income tax expenses/income	586	3,019	79
=	**Cash flow from operating activities**	**13,945**	**40,855**	**13,751**
+	Proceeds from the disposal of tangible assets / intangible assets	30	1,274	286
–	Cash paid for investments in tangible assets/intangible assets	-9,459	-13,354	-6,397
–	Cash paid for additions to the scope of consolidation	0	-243	0
=	**Cash flow from investing activities**	**-9,429**	**-12,323**	**-6,111**
+	Cash received from raising borrowings	0	2,500	0
–	Cash paid for the redemption of borrowings	-2,814	-15,624	-5,198
+	Proceeds from the repayment of shareholder loans	0	15,745	0
–	Distribution of profits/payouts to shareholders	0	-15,745	0
–	Interest paid	-2,859	-2,854	-3,304
–	Corporate income and trade tax paid	-290	-433	-79
=	**Cash flow from financing activities**	**-5,963**	**-16,411**	**-8,581**
	Change in cash and cash equivalents	-1,447	12,121	-941
	Change in cash funds from consolidation	0	293	0
	Change in cash funds from exchange rate movements	424	0	0
+	Cash and cash equivalents at the beginning of the period	4,103	-8,311	-8,311
=	**Cash and cash equivalents at the end of the period**	**3,080**	**4,103**	**-9,252**

Composition of cash and cash equivalents	**H1 2020 kEUR**	**2019 kEUR**	**H1 2019 kEUR**
Cash	27,584	29,579	21,299
Securities	657	521	5
Liabilities to banks agreed at short notice	-25,161	-25,997	-30,556
	3,080	**4,103**	**-9,252**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Equity difference from currency conversion EUR	Consolidated retained earnings EUR	Equity EUR
January 1, 2019	25,000,000.00	25,564.60	138,000.01	-8,537,922.85	21,812,070.76	38,437,712.52
Profit distribution to the shareholders	0.00	0.00	0.00	0.00	-15,744,979.22	-15,744,979.22
Currency exchange differences	0.00	0.00	0.00	236,330.26	0.00	236,330.26
Badwill	0.00	0.00	110,801.79	0.00	0.00	110,801.79
Consolidated net income	0.00	0.00	0.00	0.00	22,015,650.74	22,015,650.74
December 31, 2019 / January 1, 2020	25,000.000	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	-3,702,714.70	0.00	-3,702,714.70
Consolidated net income	0.00	0.00	0.00	0.00	5,291,939.48	5,291,939.48
June 30, 2020	25,000,000.00	25,564.60	248,801.80	-12,004,307.29	33,374,681.76	46,644,740.87


VOLVO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich
for the period ended June 30, 2020

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 2020 have been prepared in accordance with the requirements of the German Commercial Code (HGB) applicable to consolidated financial statements. The financial statements of consolidated companies were generally prepared in accordance with the requirements of the respective countries. For the purposes of the consolidated financial statements, the separate financial statements were converted pursuant to sections 300 para. 2 and 308 HGB to uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organized according to the total cost accounting method (Gesamtkostenverfahren; section 275 para. 2 HGB), other taxes are shown under other operating expenses. The prior-year figures relate to the balance sheet for the period ended December 31, 2019 and to the income statement for the period from January 1, 2019 to June 30, 2019.

HHW is registered with the Commercial Register of the Munich local court under HRB 240650.

2. Consolidated companies

Aside from Homann Holzwerkstoffe GmbH, the following twelve subsidiaries were included in the consolidated financial statements as of June 30, 2020 as fully consolidated companies:

No.	Company	Equity share	Held by	Equity June 30, 2020	Result for the period
		%	No..	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Munich			29,605	3,411
2	HOMANIT Holding GmbH, Munich	100.00	1	69,925	13,305
3	Homanit GmbH & Co. KG, Losheim	100.00	2	36,216	15,364
4	Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	36	0
5	Homanit France SARL, Schiltigheim	100.00	3	26	1
6	Homanit Polska Sp. z o.o., Spolka Kommandytowa, Karlino	99.99 0.01	3 7	73,826	5,858
7	Homanit Polska Sp. z o.o., Karlino	100.00	3	961	151
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,177	51
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	4,741	-527
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	354	30
11	Homanit International GmbH, Munich	100.00	1	249	-11
12	UAB Homanit Lietuva, Pagiriu	100.00	2	2,711	-120
13	HOPE Investment Sp. z o.o., Poznan	100.00	6	143	-3

The results for the period for nos. 1 to 4 and 7 also include corresponding investment income.

3. Consolidation principles

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

Payables and receivables between consolidated companies are offset.

Revenues, income and expenses between consolidated companies are offset.

Interim results with respect to 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 translated at the average rate for the period from January 1 to June 30, 2020. 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 and differences from the translation of the annual results at average rates are recognized as differences in equity resulting from currency conversion. 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.

5. Accounting policies

HHW's accounting policies also apply to the consolidated financial statements. Annual financial statements prepared in accordance with Polish 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 both the straight-line and the declining-balance method based on the expected useful life of the asset and in accordance with tax provisions. The straight-line method is applied where it leads to a higher rate of amortization or depreciation than the declining-balance method. The useful life of land, leasehold rights and buildings, including buildings on unowned land, is 10-75 years, the useful life of technical equipment and machinery and the useful life of fixtures, fittings and equipment is 2-15 years.

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

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

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

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

Liquid funds are stated at the nominal value. Funds in foreign currencies are translated as of the reporting date in accordance with section 256a HGB.

Special rental payments and advance payments of costs that concern the months after June 30 are recognized in **prepaid expenses**.

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

With regard to recognition of the **assets arising from the overfunding of pension obligations**, please see the remarks in the notes to the balance sheet.

With regard to the recognition of **provisions for pensions**, please see the remarks in the notes to the balance sheet.

Other provisions take into account all discernible risks and contingent liabilities pursuant to section 253 para. 1 sentence 2 HGB and are recognized in the amount necessary for settlement based on reasonable commercial assessment, with due regard for the expected future changes in prices and costs. Provisions with residual terms of more than one year are discounted using the average market interest rate 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 1.81%.

Liabilities are recognized at the repayment amount. Liabilities in foreign currencies are translated at the exchange rate on the day of acquisition; as of the reporting date, foreign currency liabilities are measured at the spot exchange rate in accordance with the realization, imparity and acquisition cost principle if the remaining term exceeds one year.

6. Notes to the consolidated balance sheet

a) Intangible assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Jan. 1, 2020	Reclassi-fication	Additions	Disposals	Currency exchange differences	June 30, 2020	Jan. 1, 2020	Additions	Disposals	Currency exchange differences	June 30, 2020	June 30, 2020	Dec. 31, 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets													
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	6,967,332.60	16,692.54	70,043.71	0.00	-49,045.91	7,005,022.94	5,010,603.08	517,653.13	0.00	-15,958.73	5,512,297.48	1,492,725.46	1,956,729.52
2. Advance payments made	142,464.00	0.00	5,606.40	0.00	0.00	148,070.40	0.00	0.00	0.00	0.00	0.00	148,070.40	142,464.00
	7,109,796.60	16,692.54	75,650.11	0.00	-49,045.91	7,153,093.34	5,010,603.08	517,653.13	0.00	-15,958.73	5,512,297.48	1,640,795.86	2,099,193.52
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	78,253,072.79	1,450,131.58	867,738.78	0.00	-2,528,633.15	78,042,310.00	34,068,809.63	1,126,157.26	0.00	-716,617.36	34,478,349.53	43,563,960.47	44,184,263.16
2. Technical equipment and machinery	201,909,863.61	506,260.82	465,030.84	19,763.20	-8,009,193.54	194,852,198.53	98,036,263.72	5,600,358.46	18,072.94	-3,491,169.51	100,127,379.73	94,724,818.80	103,873,599.89
3. Other property, plant and equipment	18,315,456.95	340,097.74	923,219.26	141,939.40	-523,798.79	18,913,035.76	12,402,492.70	889,727.79	99,036.42	-328,246.32	12,864,937.75	6,048,098.01	5,912,964.25
4. Advance payments made and work in progress	6,523,282.89	-2,313,182.68	7,126,534.47	77,608.44	-270,075.03	10,988,951.21	0.00	0.00	0.00	0.00	0.00	10,988,951.21	6,523,282.89
	305,001,676.24	-16,692.54	9,382,523.35	239,311.04	-11,331,700.51	302,796,495.50	144,507,566.05	7,616,243.51	117,109.36	-4,536,033.19	147,470,667.01	155,325,828.49	160,494,110.19
III. Financial assets													
Equity investments	15,178.50	0.00	0.00	0.00	0.00	15,178.50	0.00	0.00	0.00	0.00	0.00	15,178.50	15,178.50
	15,178.50	0.00	0.00	0.00	0.00	15,178.50	0.00	0.00	0.00	0.00	0.00	15,178.50	15,178.50
	312,126,651.35	0.00	9,458,173.46	239,311.04	-11,380,746.42	309,964,767.35	149,518,169.13	8,133,896.64	117,109.36	-4,551,991.92	152,981,802.85	156,981,802.85	162,608,482.21

b) Financial assets

The **investments** relate to DHN Geschäftsführungsgesellschaft mbH i.L. The liquidation will be completed in the course of the financial year 2020.

c) Receivables, other assets, prepaid expenses

There are no receivables with residual terms of more than one year; residual terms of more than one year exist for other assets in the amount of kEUR 3,682 (previous year: kEUR 3,682) and for deferred items in the amount of kEUR 45 (previous year: kEUR 44).

Significant items recognized in **other assets** include an investment in a limited partnership in the amount of kEUR 3,675 (previous year: kEUR 3,675), tax refund claims amounting to kEUR 2,819 (previous year: kEUR 6,779) as well as receivables from factoring companies amounting to kEUR 8,567 (previous year: kEUR 1,703).

Accrued items include the prepaid expenses from rental and leasing payments of kEUR 103 (previous year: kEUR 107) as well as insurance contributions, contributions to professional associations and leave pay for the time after June 30, 2020.

d) Other securities

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

	Jun. 30, 2020 kEUR	Dec. 31, 2019 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	3,771	1,598
Other fund shares	656	521
	4,427	2,119

e) Assets arising from the overfunding of pension obligations

Please refer to the explanations under item 6.g).

f) Equity

Subscribed capital, 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, 2020:

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

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

Other profit reserves resulted from the change of accounting rules implemented as a result of the German Accounting Modernization Act (BilMoG) in the amount of kEUR 22 and from the differences on the liabilities side from capital consolidation in the amount of kEUR 226. Differences on the liabilities side from first-time consolidation relate to HOPE Investment Sp. z o.o. (kEUR 110), Homanit International (kEUR 34), Homatrans (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2). They arose exclusively from retained earnings from the period prior to the first-time consolidation. If the shares in these companies are sold, the differences on the liabilities side are reversed to increase profits.

The **difference in equity resulting from currency conversion** decreased from kEUR -8,301 to kEUR -12,004 due to the changes in the PLN/EUR exchange rate.

Consolidated retained earnings developed as follows:

	EUR
January 1, 2020	28,082,742.28
Consolidated net income January 1 to June 30, 2020	5,291,939.48
June 30, 2020	33,374,681.76

Sums in the amount of kEUR 329 (previous year: kEUR 359) cannot be distributed pursuant to section 253 para. 6 sentence 1 HGB and due to first-time application of the German Accounting Modernization Act (BilMoG).

g) Provisions

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

	Jun. 30, 2020
Interest rate at the beginning of the financial year	2.71 %
Interest rate at the end of the financial year	2.51 %
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, 2020, an amount of kEUR 30 from the first-time adoption of the German BilMoG Act had not yet been recognized in pension provisions. This resulted in a difference within the meaning of section 253 para. 6 sentence 1 HGB of kEUR 299, i.e. the pension obligation would have to be increased by this amount if the average interest rate of the past seven years (1.81%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for the period from January 1 to June 30, 2020 as well as from previous years primarily as a result of tax audits.

Other provisions primarily involve obligations to employees (e.g. vacations, profit shares, overtime, contributions to professional associations), warranty and bonus obligations to customers and 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 228 (previous year: kEUR 260) were offset against plan assets at fair value in the amount of kEUR 300 (previous year: kEUR 435). This resulted in **assets arising from the overfunding of pension obligations** of kEUR 72 (previous year: kEUR 175), which were recognized on the assets side of the balance sheet.

Securities are measured based on the strict lower of cost or market principle; securities which are not offset against the early retirement provisions (kEUR 656; previous year: kEUR 521) are freely marketable and no longer serve as hedges against claims in connection with early retirement liabilities. Correspondingly, interest earned on securities serving to hedge early retirement claims was offset against interest expenses from the compounding of early retirement provisions.

h) Liabilities

Liabilities have the following maturity structure:

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

June 30, 2020	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	total EUR
1. Bonds	0.00	60,000,000.00	0.00	60,000,000.00
2. Silent partnership	0.00	4,000,000.00	0.00	4,000,000.00
3. Liabilities to financial institutions	40,677,057.37	47,563,199.49	3,909,361.47	92,149,618.33
4. Advance payments received	467,000.00	0.00	0.00	467,000.00
5. Trade payables	22,785,758.12	0.00	0.00	22,785,758.12
6. Other liabilities	6,891,052.61	1,103,786.95	0.00	7,994,839.56
	70,820,868.10	112,666,986.44	3,909,361.47	187,397,216.01

The **bond** consists of 60,000 notes in the principal amount of EUR 1,000.00 each. The interest rate is 5.25% p.a. Interest is payable on June 14 of each year, beginning on June 14, 2018. It was placed on the Frankfurt/Main stock exchange with a five-year term, maturing on June 14, 2022. The bond is unsecured and unsubordinated. Interest was recognized on an accrual basis by kEUR 140 as of June 30, 2020.

The **silent partnership** relates to a Saarland-based bank and has a term until September 30, 2022. A compensation of 5.0% p.a. is paid on kEUR 4,000 independently of the results achieved, as well as an additional profit-related compensation of 2.0% p.a. is paid. The resulting compensation was deferred in the amount of kEUR 214 as of June 30, 2020.

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

The remaining liabilities are unsecured.

Other liabilities essentially comprise liabilities from the financing of fixed asset items (lease purchase and leasing agreements) of kEUR 1,990 (previous year: kEUR 2,432) and wages outstanding in the amount of kEUR 1,590 (previous year: kEUR 1,765) as well as accrued interest under the bond issue in the amount of kEUR 140 (previous year: kEUR 1,715). Taxes accounted for kEUR 1,299 (previous year: kEUR 488) and social insurance contributions for kEUR 2,046 (previous year: kEUR 1,253).

i) Deferred tax liabilities

Deferred tax assets result from different values recognized in the commercial balance sheet and the tax balance sheet in the amount of kEUR 46 (previous year: kEUR 442) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 100 (previous year: kEUR 113). Deferred tax liabilities of kEUR 777 (previous year: kEUR 849) result from different values recognized in the commercial balance sheet and the tax balance sheet. Deferred tax assets were offset against deferred tax liabilities. There are no usable losses carried forward from the tax balance sheets. 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 15.0% and 26.5% were used. The parent company's tax rate of 33.0% was used for consolidation.

7. Notes to the consolidated income statement

a) Revenues

Revenues break down into domestic revenues of kEUR 30,449 (previous year: kEUR 32,767) and foreign revenues of kEUR 86,963 (previous year: kEUR 107,472). In the first half of 2020, the European Union accounted for kEUR 78,162 (previous year: KEUR 96,845) of the foreign revenues.

b) Other operating income

Other operating income essentially includes income from changes in exchange rates of kEUR 1,775 (previous year: kEUR 1,343), which was realized in full in the first half of 2020 and in the amount of kEUR 422 in the same period of the previous year.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 19,197 (previous year: kEUR 20,873) include expenses for old-age provisions of kEUR 124 (previous year: kEUR 127).

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

	Jun. 30, 2020	Jun. 30, 2019
White-collar employees	330	358
Blue-collar employees	1,167	1,116
Total	1,497	1,474

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 6,780 (previous year: kEUR 9,147), repair and maintenance costs as well as costs of performance in the amount of kEUR 4,217 (previous year: kEUR 3,561), administrative costs of kEUR 4,737 (previous year: kEUR 4,953) and expenses from changes in exchange rates of kEUR 4,356 (previous year: kEUR 486). Expenses from changes in exchange rates for the first six months were realized in the amount of kEUR 1,207; the expenses of the previous year were realized in full.

Besides this, other tax expenses in the amount of kEUR 564 (previous year: kEUR 556) are also reported.

e) Financial result

Interest expenses primarily include interest from the corporate bond and interest on loans granted by banks in the amount of kEUR 2,422 (previous year: KEUR 2,794). In addition, interest from leasing and factoring agreements in the amount of kEUR 257 (previous year: kEUR 313) as well as similar expenses (loan processing fees, compensation for the silent partnership and expenses from swap agreements) in the amount of kEUR 478 (previous year: kEUR 688) are reported. The discounting of the non-current provisions resulted in an interest expense of kEUR 107 (previous year: kEUR 91).

f) Income taxes

This item contains corporation and trade tax expenses and income for the first half of 2020 in the amount of kEUR 312 as well as expenses from deferred taxes from the sale of fixed assets within the Group in the amount of kEUR 13 (previous year: kEUR 13). An amount of kEUR 261 is attributable to the utilization of tax loss carry-forwards.

8. Contingent liabilities and other financial obligations

No **contingent liabilities** existed as of June 30, 2020.

As of the balance sheet date, other **financial obligations** amounted to kEUR 10,353 (December 31, 2019: kEUR 10,631). These obligations involve rental, leasing and leasehold agreements.

Liabilities from plants ordered amount to kEUR 2,648 (December 31, 2019: kEUR 5,232).

An underwriting agreement exists with two credit institutions, as well as an associated agreement concerning financial instruments for hedging against interest rate risks. The transaction is a micro-hedge. A negative market value of kEUR 781 existed as of June 30, 2020 for which no provision was to be recognized since it is ultimately a fixed-interest exposure. The changes in value in the hedged item and the hedging instrument for the interest rate risk completely cancel each other out over the term of the hedging transaction (August 17, 2024), since they are exposed to the same risk and are affected by the identical factors in the same way. Accordingly, the transaction is classified as an effective hedge.

9. Post-balance sheet events

On August 3/4/5, 2020, Homanit Holding GmbH concluded a loan agreement in the amount of EUR 65 million refinanced by KfW under the special measures launched to support companies during the COVID-19 pandemic. The loan has a term of six years and is to be repaid quarterly in equal instalments starting at the end of 2022.

Although the Group's liquidity position has been sufficient at all times, both at present and during the lockdown imposed in response to the COVID-19 pandemic, and did not show any gaps in the short, medium or long term, the company decided to take out this working capital loan to be well prepared for possible negative long-term effects in connection with the economic impact of the pandemic and to further strengthen the Group's financial strength.

No other events that have a material impact on the Group's net assets, financial position and results of operations occurred after the end of the reporting period.

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.

Management

Mr. Fritz Homann, Commercial Manager, Munich, as well as Mr. Ernst Keider, engineer, Saarlouis, are responsible for the conduct of business.

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

Fees

The fee recorded in the period from January 1 to June 30, 2020 in accordance with section 314 para. 1 no. 9 HGB relates to audit services in the amount of kEUR 132.

Munich, September 18, 2020

Fritz Homann Ernst Keider

REVIEW REPORT

To Homann Holzwerkstoffe GmbH, Munich

We have reviewed the accompanying interim consolidated financial statements of Homann Holzwerkstoffe GmbH, München, – comprising the balance sheet, profit- and loss account, mirror of share capital, cash flow statement and notes, and the group management report for the interim period from 1 January 2020 to 30 June 2020.

Management's responsibility

Management of Homann Holzwerkstoffe GmbH is responsible for the preparation of the interim consolidated financial statements in accordance with the financial reporting provisions in German commercial law (HGB) and the for the group management report applicable principles of German accounting standard No. 16 "Interim reporting" (Deutscher Rechnungslegungsstandard Nr. 16 für die Zwischenberichterstattung). Management is responsible for such internal control as they have deemed necessary to enable the interim consolidated financial statements to be prepared free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to issue a report on the interim consolidated financial statements based on our review. We conducted our review of the interim consolidated financial statements in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) (Institute of Public Auditors in Germany). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with limited assurance, that the interim consolidated financial statements have not been prepared, in all material respects, in accordance with the financial reporting provisions in German principles for prüferische Durchsicht of the principles of IDW. A review is limited primarily to inquiry of company employees and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Conclusion

Based on our review no matters have come to our attention that cause us to believe that the interim consolidated financial statements of Homann Holzwerkstoffe GmbH, München, for the period from 1 January 2020 to 30 June 2020 have not been prepared, in all material respects, in accordance with the principles of German accounting standard No. 16 "Interim reporting" (DRS 16).

Basis of accounting and restriction on distribution and use

Without qualifying our judgment, we refer to the German commercial group accounting regulations applicable to consolidated financial statements and the group interim management report based on the principles of German accounting standard No. 16 "Interim reporting" (DRS 16) applicable to consolidated interim financial statements, in which the relevant accounting principles are described. The consolidated financial statements and the interim group management report were prepared for submission to the Frankfurt / Main stock exchange. As a result, the consolidated financial statements and the group interim management report may not be suitable for any purpose other than the aforementioned.

Our certificate of review is intended exclusively for Homann Holzwerkstoffe GmbH and may not be passed on to third parties without our consent, nor may it be used by third parties.

Limitation of liability

Our liability is limited in accordance with Section 9 Paragraph 2 of the General Terms and Conditions of Engagement for Auditors and Auditing Firms of 1 January 2017, attached as Annex 7, for an individual case of damage caused by negligence, with the exception of damage resulting from injury to life or body and health, as well as damage that justifies the manufacturer's obligation to pay compensation according to § 1 ProdHaftG, to EUR 4 million. This limitation of liability applies to all addressees or third parties (hereinafter referred to as “recipients”) who receive our certificate as intended. These recipients are joint creditors within the meaning of Section 428 of the German Civil Code (BGB) and the maximum liability amount for each damage case of EUR 4 million is available to all recipients only once.

We do not accept any responsibility, liability or other obligation in relation to other third parties.

Viersen, 18 September 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Tim Bonnecke	Hans-Hermann Nothofer
Wirtschaftsprüfer	Wirtschaftsprüfer

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