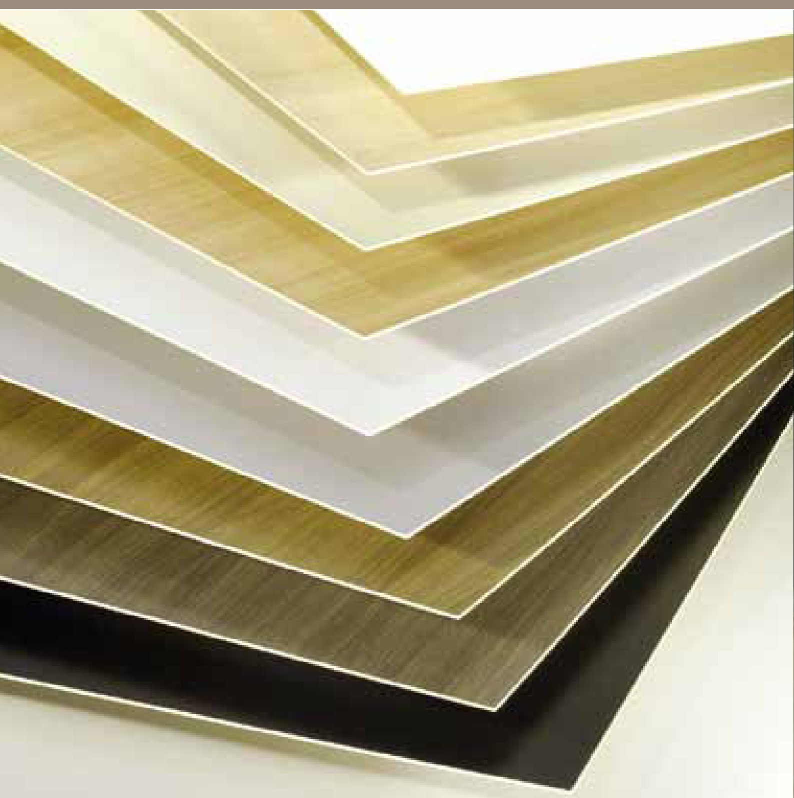
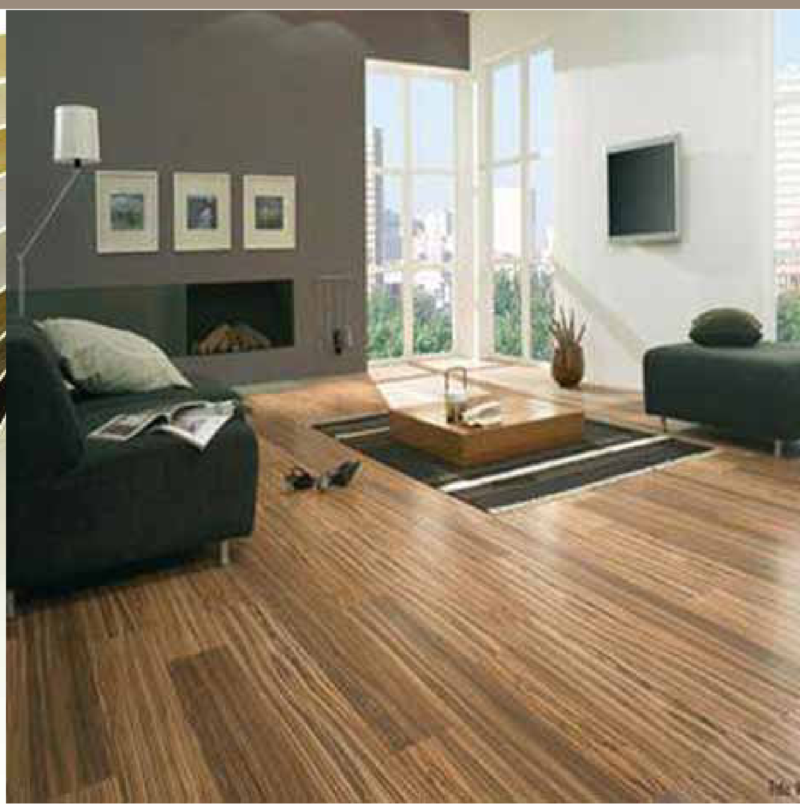
HOMANN
HOLZWERKSTOFFE

Interim Group Report First Half 2016 for Homann Holzwerkstoffe GmbH





Interim Group Report for Homann Holzwerkstoffe GmbH

for the period from January 1, 2016 to June 30, 2016

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FOREWORD

Dear Reader,

Our plants were well utilised in the first half of 2016. Starting up new production facilities is naturally a complex process which cannot always be implemented at the expected pace. Even so, we have appreciably reduced downtimes at our Polish plant in Krosno, making the production more stable and significantly increasing local output in recent months. The additional capacities have given us the planned noticeable boost. The result is pretty impressive. Gross production has already reached 80 % of Karlino's production volume. This means that we are still slightly behind our schedule, but we are confident that we will soon reach the desired level and the effects on our profitability are already visible.

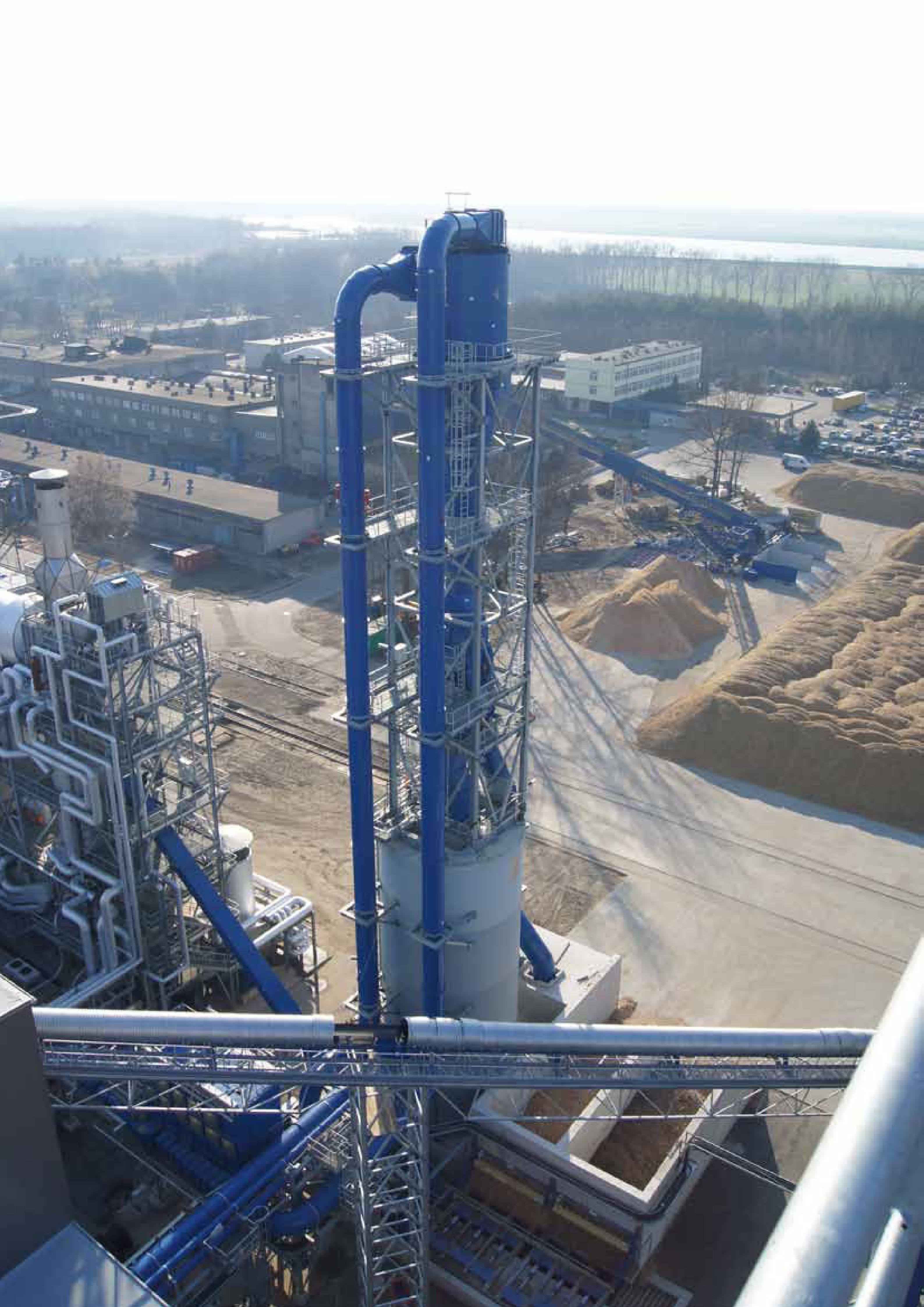
In the first six months of 2016, our sales revenues and profit improved considerably. While Group's sales revenues were up 12.7 % to EUR 114.1 million, EBITDA adjusted for non-cash exchange gains and losses as well as extraordinary effects rose to EUR 17.1 million, which is a 111 % increase. Our sales revenues and result were hence in line with our forecast. In analogy to the first half of the year, we expect a clear sales and earnings increase for the full financial year. This year, our investments focus on a significant expansion of our finishing capacities at all locations. This will provide the basis for further sales growth with higher value added in the coming years.

For the refinancing of our bond maturing in December 2017, we are holding intensive talks with a number of selected financial institutions. Based on what we have learned in these negotiations to date, we expect the future interest burden to be significantly lower. I currently see no risks to a successful refinancing.

I would like to thank all our employees whose commitment made a key contribution to the success of our Group. Furthermore, I would like to thank our business partners for the good cooperation and our investors for their support and the confidence placed in us.

Yours sincerely,

Fritz Homann
Managing Director of Homann Holzwerkstoffe GmbH



INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2016

A. Business activity and framework conditions

1. Corporate structure and business model

Homann Holzwerkstoffe GmbH is a leading European supplier of thin finished wooden fibreboards. The product portfolio of the specialist for the production and distribution of medium-density fibreboards (MDF) and high-density fibreboards (HDF) serves a broad customer base including, in particular, companies from the international furniture, doors and coatings industries. Other areas of application for the company's innovative products exist in the automotive interiors and packaging sectors (e.g. product boxes). By strategically addressing additional customer groups, the company is increasingly diversifying its customer base and thus becoming more independent of cyclical trends in individual sectors. The international furniture industry nevertheless remained its most important customer group in the first half of 2016.

Organisationally the Homann Group consists of Homann Holzwerkstoffe GmbH as the parent company of the Group and three operating companies, namely HOMANIT GmbH & Co. KG headquartered in Losheim/Germany, HOMANIT Polska Sp.z o.o. headquartered in Karlino/Poland and Homanit Krosno Odranskie Sp.z. o.o. headquartered in Krosno/Poland. As of June 30, 2016, the Group had a total of three production sites, one in Germany and two in Poland.

Strategically the business model of the Homann Group focuses on the complete coverage of all relevant steps of the value chain: from the procurement of raw materials such as wood, glue and electricity to ongoing new and further development in the context of research and development activities, multi-stage panel production, finishing and customisation of the products to their distribution. This gives the Group direct control over all process steps and enables it to ensure a high level of product quality. At the same time, it can flexibly respond to individual customer requirements as well as short-term market changes. This strategic approach is one of the main drivers for the Group's strong market position - the Homanit Group is the European market leader in the field of very thin finished panels with a thickness of up to 3.0 mm.

2. Framework conditions

The macroeconomy

In spite of increased political risks, the economic recovery in the eurozone continued in the first half of 2016. The Brexit vote has entailed substantial uncertainty about the medium-term and long-term consequences. The extent of the negative effects of Britain's decision to leave the EU largely depends on the exit agreements still to be negotiated between the EU and the British government. After a 0.6 % quarter-on-quarter increase in the real gross domestic product (GDP) in the first quarter of 2016, leading economic research institutes estimated it to amount to about 0.3 % in Q2 2016. Thanks to low inflation and gradually improving labour market conditions, private consumption remained the main driver of the eurozone economy. The continued economic weakness of key emerging countries and slower economic growth in China resulted in an overall decline in foreign demand and had a negative effect on the global economy. These general trends are expected to continue in the second half of 2016. As a result, GDP is projected to grow by another 0.4 % and 0.3 % in the third and fourth quarter, respectively.

In the first half of 2016, the German economy developed almost in parallel with the eurozone economy. According to the Federal Statistical Office (Destatis), GDP continued to grow quarter-on-quarter by 0.7 % and 0.4 % in the first and second quarter, respectively, in price, seasonal and working day-adjusted terms. Positive momentum in the second quarter was primarily provided by net exports, which contributed 0.6 percentage points to GDP growth, as well as consumer and government spending, which were up 0.2 % and 0.6 %, respectively, on the previous quarter. In contrast, spending on plant and equipment (-2.4 %) declined in part significantly. A similar trend is forecast by the economic researchers for the second half of the year. They expect a real GDP growth rate of 1.8 % for the full year.

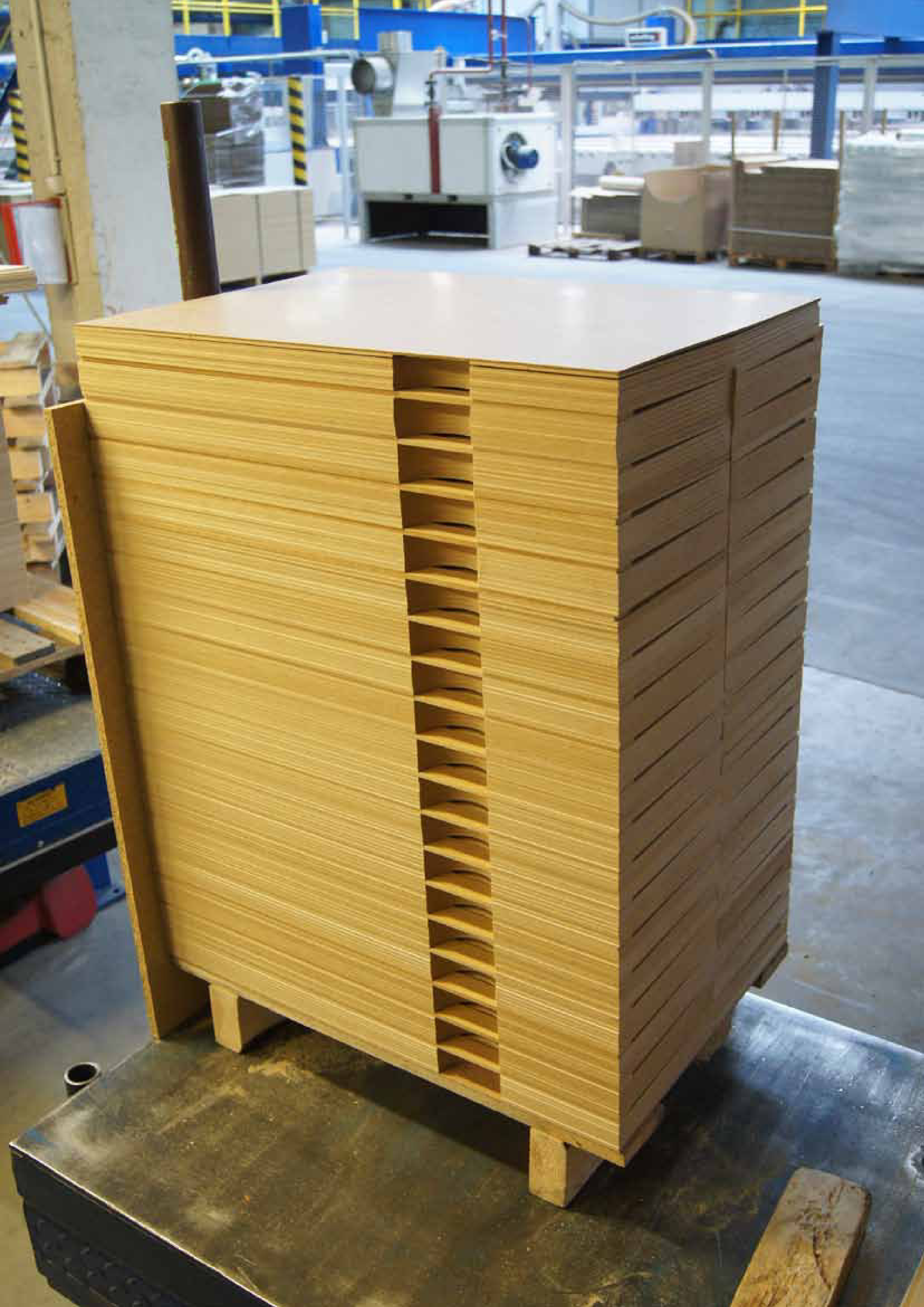
(Sources: ifo Institute – Eurozone economic outlook: Recovery continues amid huge political risks, July 12, 2016; Federal Statistical Office – Detailed gross domestic product results for the 2nd quarter of 2016, August 24, 2016; ifo Institute – Ifo Economic Forecast 2016/2017: Upturn in Germany enters second half, June 16, 2016)

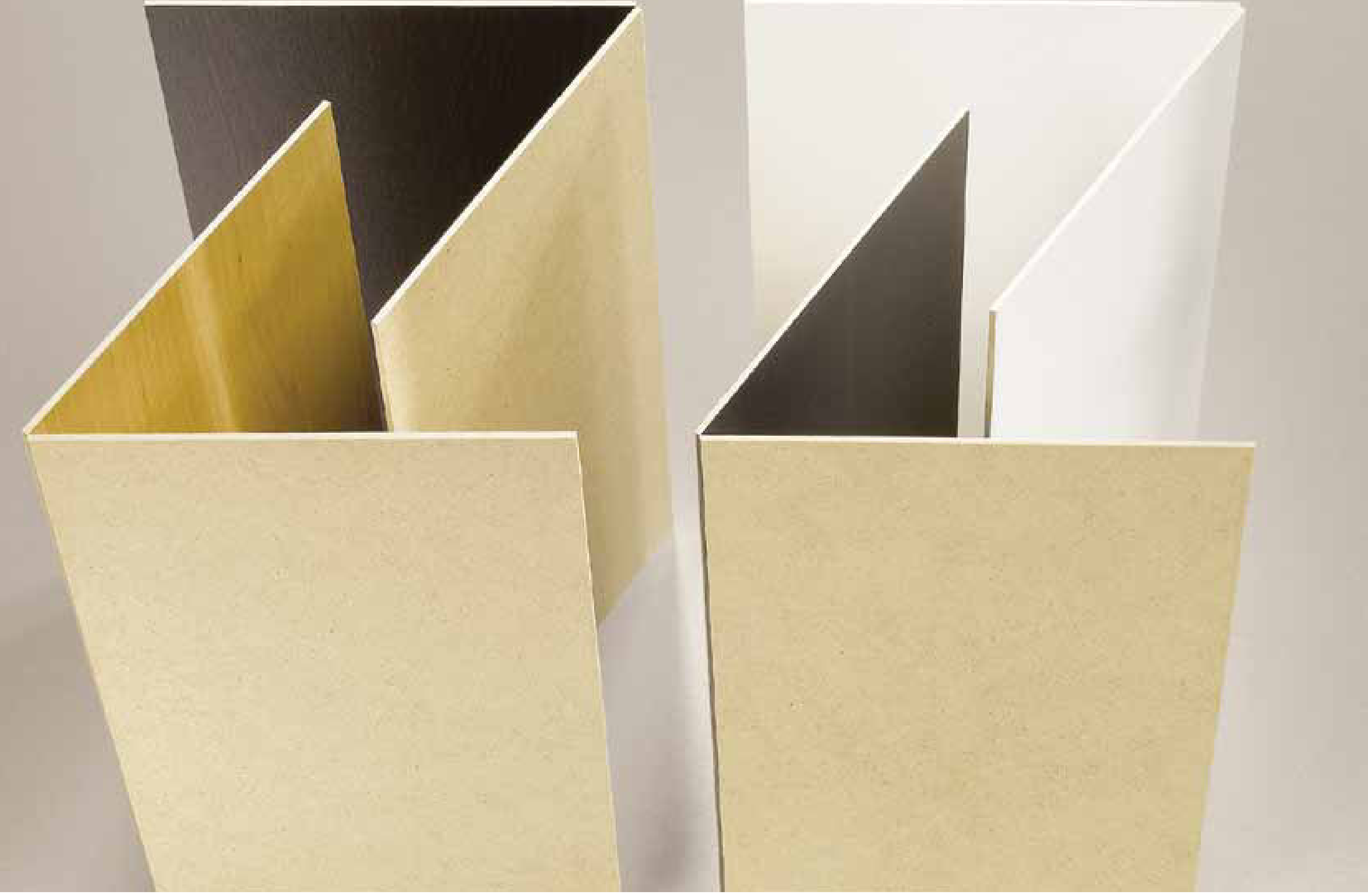
Industry trend

The competitive environment in the markets relevant for the Homann Group remained almost unchanged in the reporting period. In general, the competitive intensity differs significantly. In the market segment for unfinished MD and HD fibreboard panels with thicknesses between 6 and 30 mm, there is high competitive and price pressure. This market is characterised by overcapacities and rather declining sales opportunities. By contrast, the market segment for very thin, finished panels measuring up to 3 mm in thickness, on which the Homann Group focuses, is marked by a healthy competitive situation. In spite of additional capacities, this market segment is relatively balanced. Driven by the continued trend towards lightweight construction in the furniture industry, this segment moreover offers additional growth opportunities.

Following a strong fourth quarter 2015, the upward trend in MDF/HDF production in Germany continued in 2016. Total production of HDF panels increased by 3.6 % to 594,028 m³. HDF panels manufactured for sale grew by 6.1 % to 482,606 m³. At 221,077 m³ and 164,091 m³, respectively, total production of unfinished MDF furniture panels and the amount manufactured for sale were up 5.8 % and 4.1 %, respectively, on the previous year. The production of thin MDF panels declined slightly by 0.3 % to 56,047 m³. According to the Verband der Deutschen Möbelindustrie (association of the German furniture industry), the German furniture industry grew by 3.7 % in the first four months of 2016. At 9.1 %, domestic sales increased almost twice as much as exports, which were up 4.7 %. The German construction sector also recorded significant increases. According to calculations by the Hauptverband der Deutschen Bauindustrie (umbrella federation of the German construction industry), sales revenues in the first half of 2016 rose by 8.3 % and incoming orders in price and working day-adjusted terms were even up 16.0 % on the previous year.

(Sources: EUWID Wood products and panels – 30.2016: German MDF/HDF production continued to increase in 2016; EUWID Möbel – 27/28.2016: Umsatz der deutschen Möbelindustrie bleibt im Plus; Federal Statistical Office – New orders in main construction industry in June 2016, August 25, 2016)





B. Business situation of the Group

1. Results of operation

The Homann Holzwerkstoffe Group operated successfully in the first half of 2016. The plants were well utilised and the share of finished products increased further.

Due to new capacity, sales revenues were up 12 % on the same period of the previous year.

Items included in other operating income include non-cash exchange gains in the amount of EUR 1 million as well as the planned gain from the sale of land in the amount of approximately EUR 3.6 million, which the company continues to use under a ground lease agreement.

The prices for the most important raw material, namely wood, were in line with the expectations for the Polish plants and lower than assumed in Germany. Due to the low oil price, procurement prices for the second most important raw material, glue, were lower than in the previous year. As a result and due to the non-recurrence of the external panel purchases made last year in preparation of the market entry, the cost of materials as a percentage of revenues declined. The EBITDA before special effects was achieved and increased by 111 % compared to the previous year adjusted for non-cash exchange gains and losses.

Production in the new plant in Krosno is becoming more and more stable and its output was increased further in the first six months of 2016. Gross production has reached 80 % of Karlino's production volume.

Personnel expenses were down on the previous year as planned. This was primarily attributable to the relocation of personnel cost-intensive finishing activities from Germany to Poland. The Group employed 1,388 people.

The exchange rate trend of the Polish zloty resulted in non-cash exchange losses of EUR 5.2 million, which were recognised in other operating expenses, as well as a reduction in Group reserves in the amount of EUR 0.8 million. Adjusted for these exchange losses, other operating expenses were slightly down on the previous year. For the main expense items, please refer to the notes to the interim consolidated financial statements.

Adjusted for exchange gains and losses an special effects, operating earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by EUR 9 million to EUR 17,1 million compared to the same period of the previous year, which was consistent with the budgeted figures.

The financing result declined by EUR 1.7 million year-on-year due to the investments funded primarily through finance leasing.

Income taxes increased as a result of the profit generated in Germany. Due to their location in special economic zones, the Polish plants are exempt from income tax.

Adjusted for the exchange result, the half-year result was in line with the projections and amounted to EUR 6.8 million after taxes (previous year: EUR 2.9 million).

2. Net assets

After completion of the major investment in Krosno, fixed assets declined from EUR 174 million as of December 31, 2015 to EUR 169 million. For more information, please refer to the consolidated statement of fixed assets on page 26 in the notes to the consolidated financial statements.

The Group's investments in the first half of the year amounted to EUR 8 million and primarily consisted of additional finishing units financed via leasing schemes.

Inventories remained at the level recorded on December 31, 2015, given that they had already been increased in the previous year in order to accommodate the newly created capacity. The stocks of unfinished and finished products continue to cover about half a month's sales.

Receivables and other assets rose by EUR 5 million, with the increase essentially consisting of receivables resulting from the sale of land in Losheim. These receivables have meanwhile been settled.

Thanks to the consolidated net profit for the six months ended June 30, 2016, the equity ratio improved to 10 %. Adjusted for exchange gains and losses recognised in the Group reserves and taking the silent partnership into account, the equity ratio stood at 15 %.

Liabilities to financial institutions as of June 30, 2016 amounted to EUR 171 million and declined by EUR 2.5 million compared to December 31, 2015 due to repayments.

3. Financial position

The statement of cash flows shows cash flow from operating activities of EUR 13.7 million for the first half of 2016. Net cash used in investing activities amounted to EUR 4.4 million, part of which was provided by financing activities.

C. Opportunities and risks

The opportunity and risk situation of the Homann Holzwerkstoffe Group has not changed materially compared to December 31, 2015. Detailed information on the Group's risk situation can be found in the 2015 Group Management Report in the "Future opportunities and risks" chapter on page 13.

D. Post balance sheet events

No events that are expected to have a material impact on the results of operation, financial position and net assets of the Homann Holzwerkstoffe Group occurred after June 30, 2016.

E. Forecast

The overall trend of the first half of 2016 will continue in the second half of the year and result in a EBITDA of EUR 33 million.

On the raw materials side, we expect no material changes for our most important raw material, namely wood, nor do we expect such changes for glue. This applies both to Poland and Germany. As we have agreed fixed electricity prices for the whole year both for Krosno and Karlino as well as for Losheim, the energy costs will remain stable.

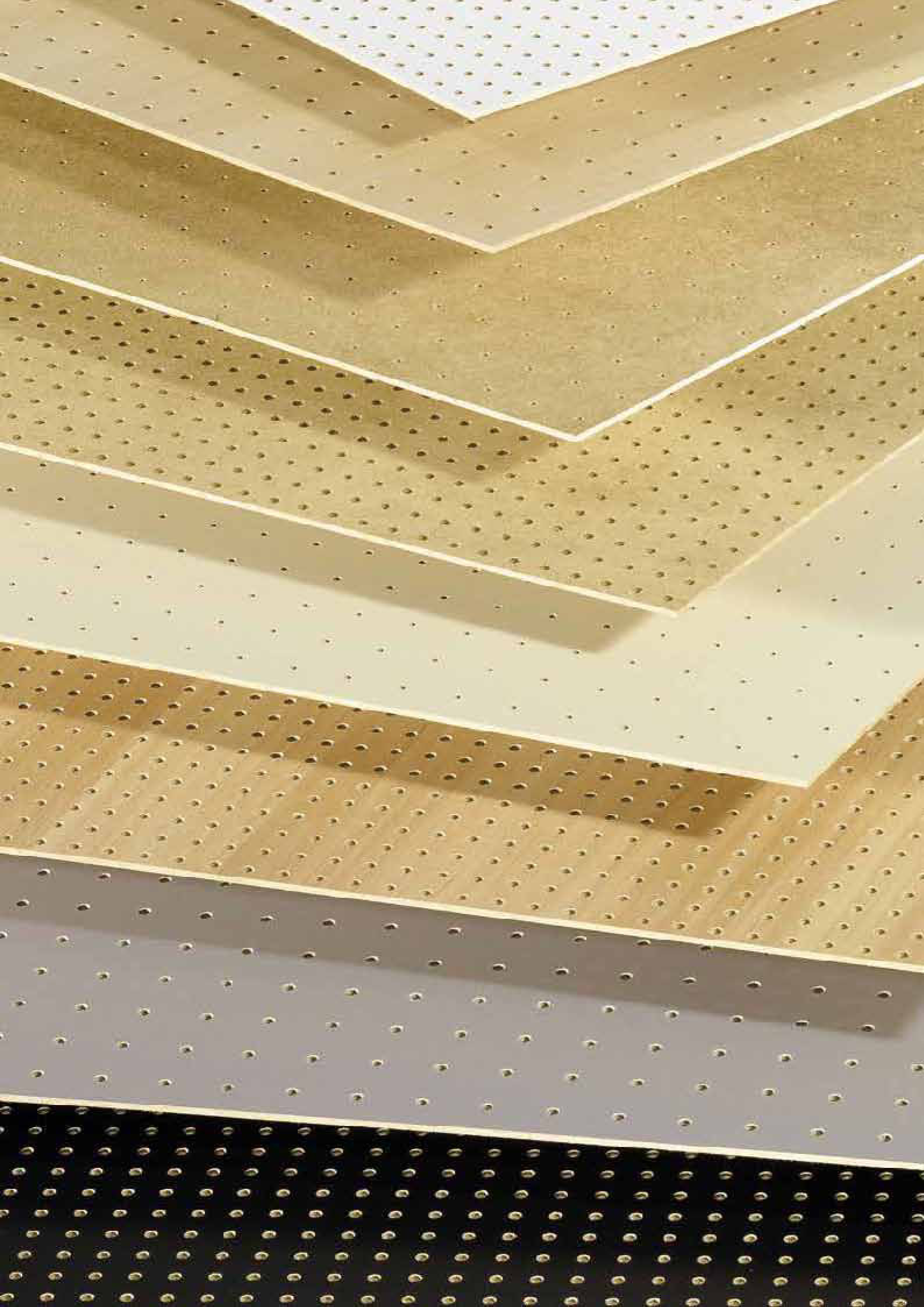
Receivables from shareholders increased as of June 30, 2016 among other things due to the interest charged in the first half of the year. These receivables have already been reduced through repayments and will be reduced as planned by the end of the year through further payments and generated profits.

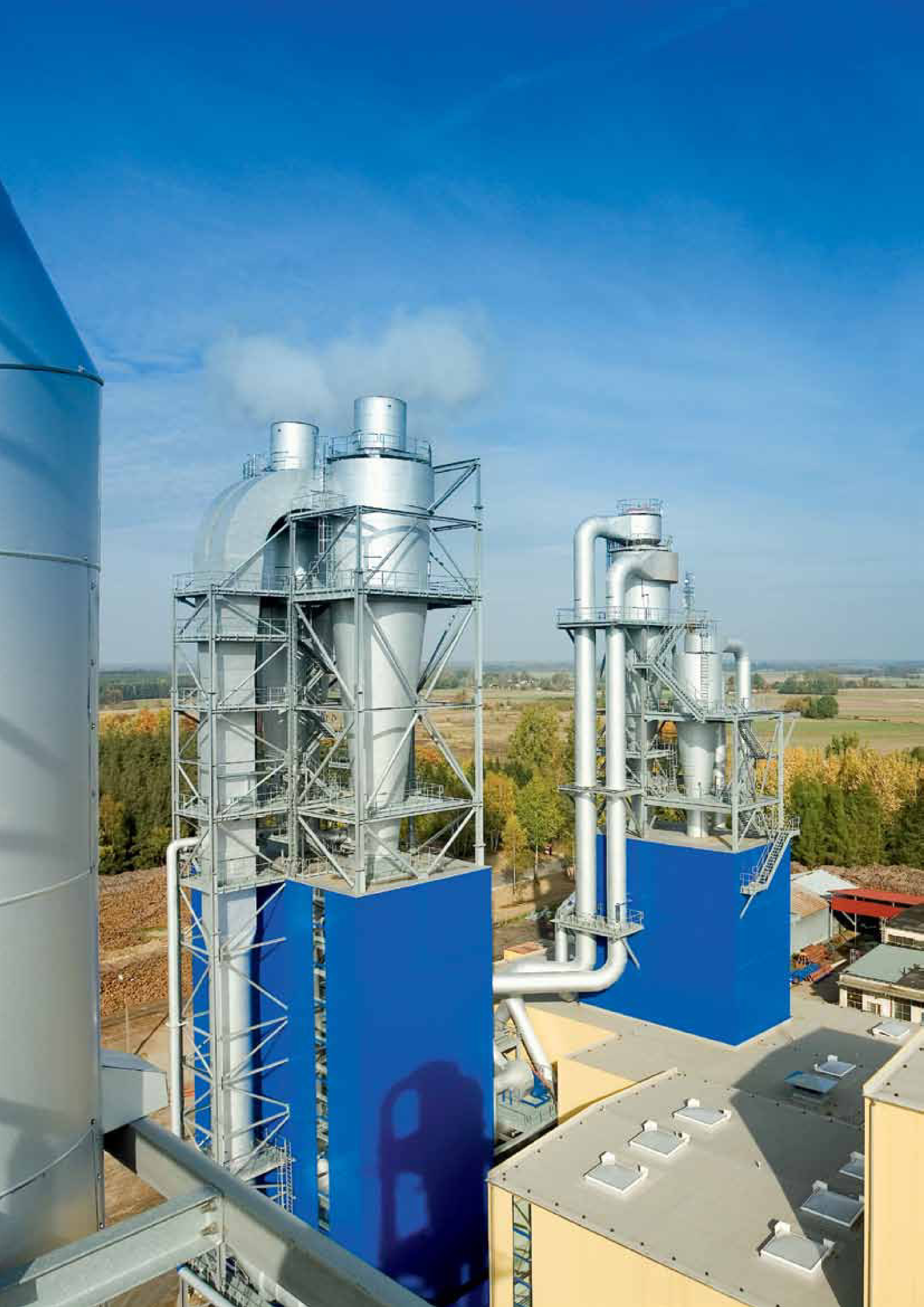
The corporate bond is to be repaid in December 2017. Talks about its refinancing are being held with a number of financial institutions. We expect the refinancing requirements to remain below EUR 100.0 million in December 2017. Interest expenses will be significantly lower. We currently see no risks to a successful refinancing.

The company will continue to reduce its cost base and increase the share of finished products with a view to further boosting its profitability.

Herzberg, September 13, 2016

(Fritz Homann)





Homann Holzwerkstoffe GmbH
Herzberg am Harz

Interim consolidated financial statements
for the period from January 1, 2016 to June 30, 2016

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2016

Homann Holzwerkstoffe GmbH, Herzberg

ASSETS

	Item Comment	EUR	June 30, 2016 EUR	June 30, 2015 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		3,962,108.11		417,109.76
2. Advance payments made		0.00		3,414,168.95
			3,962,108.11	3,831,278.71
II. Tangible assets	6.a.			
1. Properties, rights equivalent to real property and structures including structures on third-party properties		42,392,483.93		44,998,943.51
2. Technical equipment and machinery		105,952,096.45		112,097,411.27
3. Other property, plant and equipment		5,660,664.97		5,760,136.55
4. Advance payments made and work in progress		10,179,823.10		6,760,950.62
			164,185,068.45	169,617,441.95
III. Financial assets	6.b.			
1. Shares in affiliated companies		36,298.16		36,732.96
2. Equity investments		782,324.50		782,324.50
3. Other loans		0.00		0.00
			818,622.66	819,057.46
			168,965,799.22	174,267,778.12
B. Current assets				
I. Inventories				
1. Raw materials and supplies		16,849,456.58		15,699,881.52
2. Unfinished goods		4,599,521.71		25,234.03
3. Finished goods		5,573,543.74		11,686,892.72
4. Advance payments made		159,036.21		64,112.28
			27,181,558.24	27,476,120.55
II. Receivables and other assets	6.c.			
1. Trade receivables		5,205,725.48		753,012.84
2. Receivables from affiliated companies		608,496.41		1,442,794.33
3. Receivables from shareholders		17,539,892.00		15,567,755.00
4. Other assets		9,761,967.89		9,727,729.98
			33,116,081.78	27,491,292.15
III. Other securities	6.d.		910,986.13	1,241,140.80
IV. Cash holdings, bank deposits and cheques			4,785,822.54	4,694,422.81
			65,994,448.69	60,902,976.31
C. Accrued items	6.c.		3,054,052.56	1,200,964.32
D. Deferred tax assets	6.e.		1,716,191.00	2,651,887.00
			239,730,491.47	239,023,605.75

LIABILITIES

	Item Comment	EUR	June 30, 2016 EUR	June 30, 2015 EUR
A. Equity capital	6.f.			
I. Subscribed capital		25,000,000.00		25,000,000.00
II. Capital reserves		25,564.60		25,564.60
III. Other retained earnings		21,839.00		21,839.00
IV. Group reserves		–9,954,396.49		–9,156,372.87
V. Consolidated unappropriated retained earnings		7,828,273.30		5,264,877.00
			22,921,280.41	21,155,907.73
B. Provisions	6.g.			
1. Provisions for pensions		1,701,781.00		1,596,605.00
2. Provisions for taxes		2,060,468.07		1,511,869.90
3. Other provisions		3,454,460.78		3,237,420.88
			7,216,709.85	6,345,895.78
C. Liabilities	6.h.			
1. Bonds		100,000,000.00		100,000,000.00
2. Silent partnership		4,000,000.00		5,250,000.00
3. Liabilities to financial institutions		71,947,918.60		74,388,339.13
4. Trade liabilities		21,524,049.25		22,939,986.35
5. Liabilities to affiliated companies		17,630.66		30,578.33
6. Other liabilities		12,030,902.70		8,804,898.43
			209,520,501.21	211,413,802.24
D. Accruals and deferred income		72,000.00		108,000.00
			239,730,491.47	239,023,605.75
Contingent liabilities	8.			

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2016 to June 30, 2016

	Item Comment	Jan. 1, 2016 to June 30, 2016 EUR	Jan. 1, 2015 to Dec. 31, 2015 EUR	Jan. 1, 2015 to June 30, 2015 EUR
1.Revenues	7.a	114,125,271.45	200,596,835.77	101,206,747.38
2.Reduction or increase in inventory of finished and unfinished goods		–1,324,842.42	2,126,222.22	–1,694,814.91
3.Other own work capitalised	7.b	323,796.71	2,707,294.41	3,580,707.08
4.Other operating income	7.c	5,020,185.31	8,608,006.49	7,247,328.93
5.Cost of materials	7.d			
a) Cost of raw materials and consumables and goods for resale		–54,114,721.09	–106,403,813.20	–53,355,336.85
b) Cost of purchased services		–7,929,332.20	–16,410,655.35	–7,668,491.99
		–62,044,053.29	–122,814,468.55	–61,023,828.84
6.Expenses for personnel	7.e			
a) Wages and salaries		–13,318,924.82	–26,305,576.46	–13,608,398.20
b) Social security, pensions and other benefits		–2,704,567.10	–5,225,033.05	–2,625,193.27
		–16,023,491.92	–31,530,609.51	–16,233,591.47
7.Depreciation and amortisation of intangible and tangible fixed assets		–7,506,164.63	–12,628,354.89	–5,949,524.55
8.Other operating expenses	7.f	–23,634,552.93	–36,288,546.52	–19,919,546.97
9.Income from other investments and loans classified as financial assets	7.g	0.00	80,000.00	197,990.72
10.Other interest and similar income	7.g	463,972.19	1,056,660.28	300,609.16
11.Write-down of financial investments and investments classified as current assets	7.g	0.00	–34,062.35	–1,740.99
12.Interest and similar expenditure	7.g	–5,200,734.88	–7,498,708.52	–3,527,583.05
13.Extraordinary expenses	7.h	–1,635,989.29	–180,455.28	–259,655.13
14.Consolidated net income for the year		**2,563,396.30**	**4,199,813.55**	**3,923,097.36**
15.Consolidated unappropriated profits carried forward		5,264,877.00	1,065,063.45	1,065,063.45
16.Consolidated unappropriated retained earnings		**7,828,273.30**	**5,264,877.00**	**4,988,160.81**

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2016 to June 30, 2016

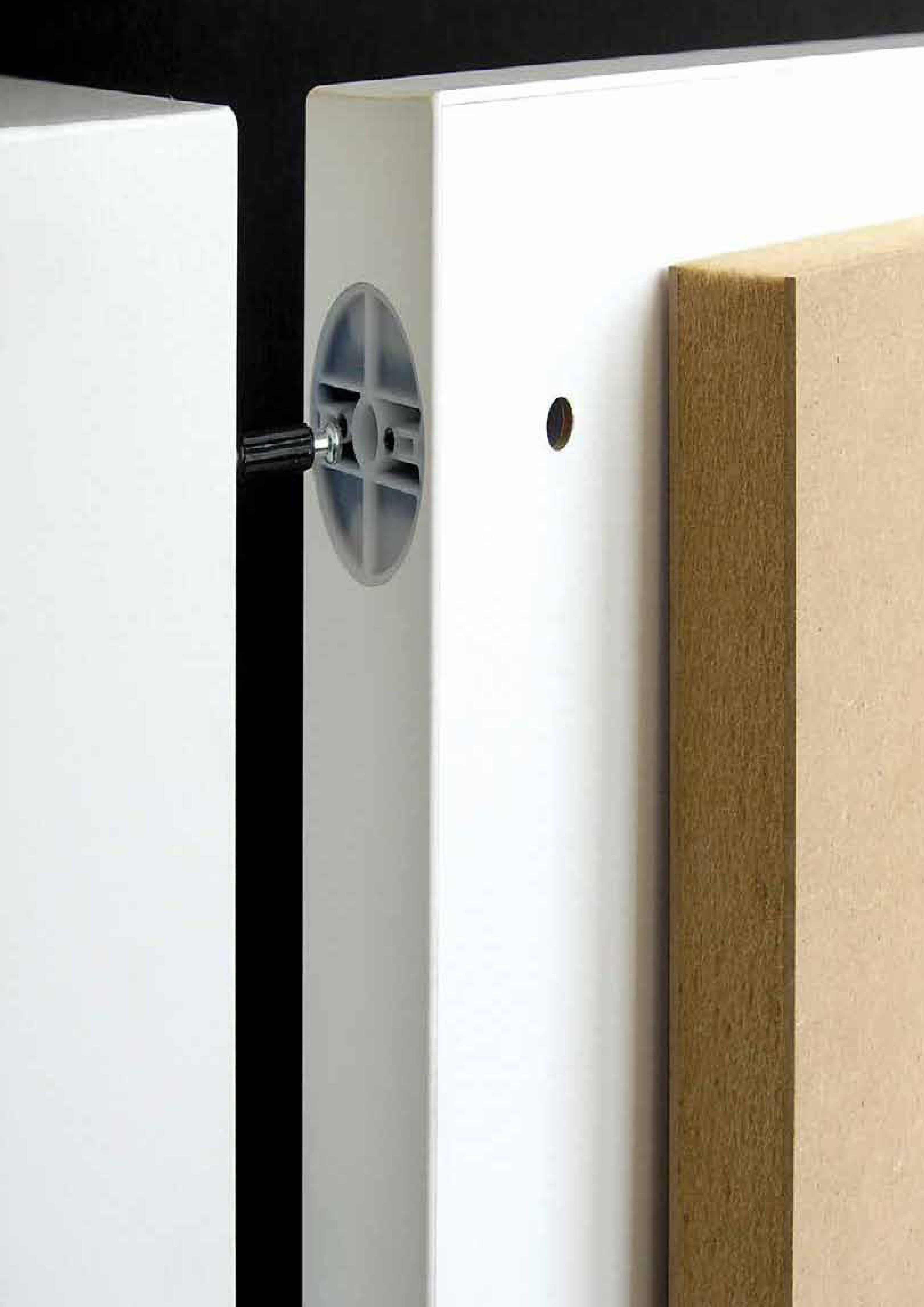
	Jan. 1, 2016 to June 30, 2016 kEUR	Jan. 1, 2015 to Dec. 31, 2015 kEUR	Jan. 1, 2015 to June 30, 2015 kEUR
Consolidated result	2,563	4,200	3,923
Depreciation of assets	7,506	12,628	5,950
Increase/decrease in provisions	871	–264	–71
Other non-cash expenses/income	4,212	121	–80
Increase/decrease in inventories	295	–5,447	–561
Increase/decrease in trade receivables	–4,453	1,428	342
Decrease/increase in receivables from shareholders and affiliated companies	363	–3,285	1,204
Increase/decrease in other assets	–951	9,799	633
Decrease in trade payables	–1,536	–5,572	–1,641
Decrease in liabilities to shareholders and affiliated companies	–13	–24	–55
Decrease/increase in other liabilities	3,309	272	–2,578
Profit from the disposal of fixed assets	–3,657	–4,891	–4,125
Interest expenses	4,291	8,672	398
Currency-related change in assets/liabilities	835	–184	660
Income tax expense	79	0	0
Cash flow from operating activities	**13,714**	**17,453**	**3,999**
Proceeds from the disposal of tangible assets / intangible assets	3,786	5,908	5,053
Cash paid for investments in tangible assets / financial assets / intangible assets	–8,178	–29,757	–20,500
Cash outflow from investing activities	**–4,392**	**–23,849**	**–15,447**
Cash received from the raising of loans	1,390	9,207	10,000
Payments for the redemption of financial loans	–2,270	–8,460	–4,000
Payments for the redemption of the silent partnership	–1,250	0	–225
Payments made to equity holders	–1,500	0	0
Interest paid	–4,291	–8,672	–398
Corporate and trade tax paid	–79	0	0
Cash outflow and cash inflow from financing activities	**–8,000**	**–7,925**	**5,377**
Change in cash and cash equivalents	**1,322**	**–14,321**	**–6,071**
Cash and cash equivalents at the beginning of the period	–30,917	–16,596	–10,552
Cash and cash equivalents at the end of the period	**–29,595**	**–30,917**	**–16,623**

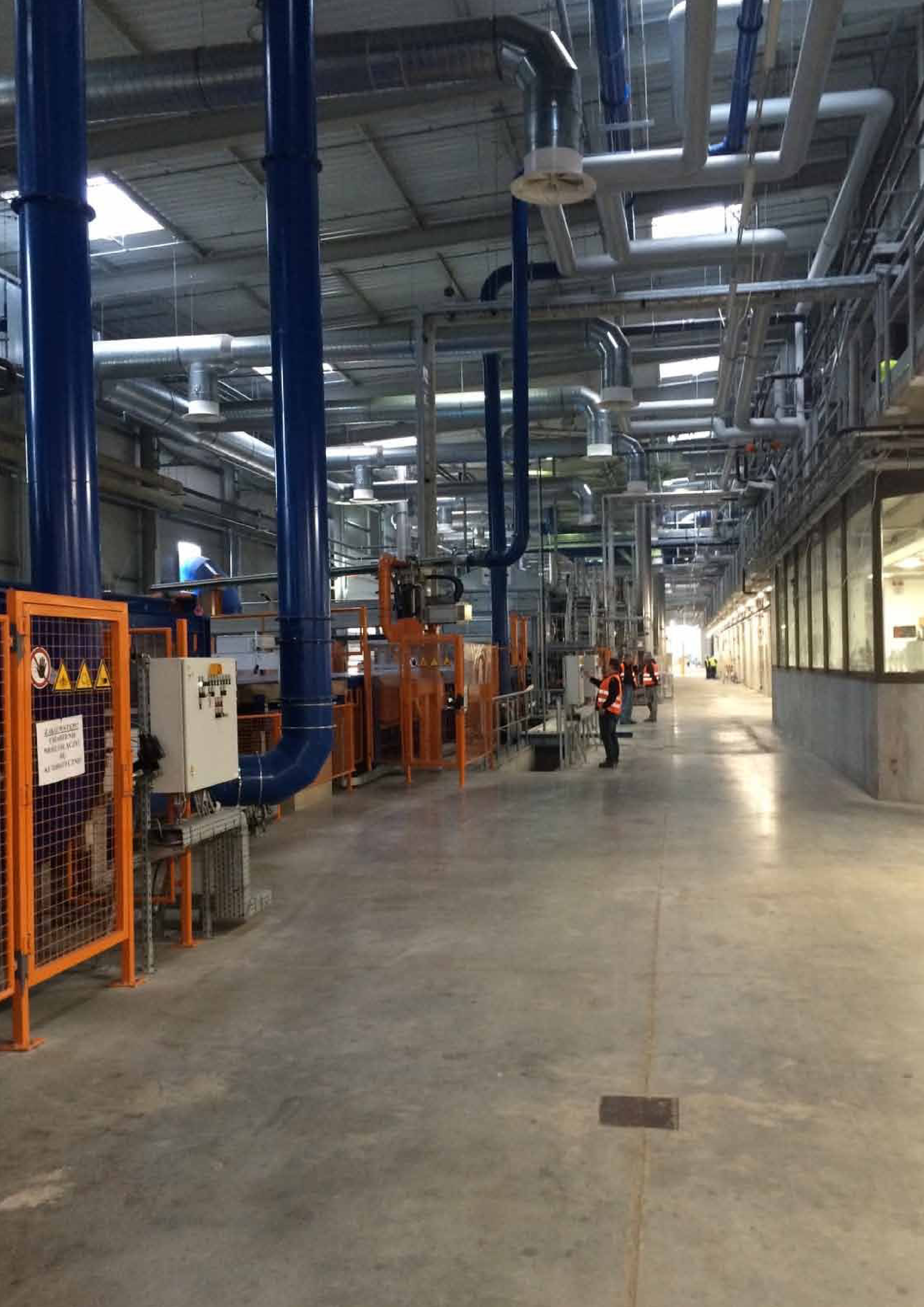
Composition of cash and cash equivalents:	**kEUR**	**kEUR**	**kEUR**
Cash and cash equivalents	4,786	4,694	10,771
Securities	133	463	3,399
Short term agreed iabilities to financial institutions	–34,514	–36,074	–30,793
	–29,595	**–30,917**	**–16,623**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Herzberg
for the period from January 1, 2016 to June 30, 2016

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Group reserves (adjustment item from foreign currency translation) EUR	Consolidated unappropriated retained earnings (Group equity capital generated) EUR	Group equity capital EUR
January 1, 2015	25,000,000	25,565	21,839	–9,155,665	1,065,063	16,956,802
Exchange differences	0	0	0	659,720	0	659,720
Group result for the half-year	0	0	0	0	3,923,097	3,923,097
June 30, 2015	25,000,000	25,565	21,839	–8,495,945	4,988,160	21,539,619
Exchange differences	0	0	0	–660,428	0	–660,428
Group result for the year	0	0	0	0	276,717	276,717
December 31, 2015/ January 1, 2016	25,000,000	25,565	21,839	–9,156,373	5,264,877	21,155,908
Exchange differences	0	0	0	–798,024	0	–798,024
Group result for the half-year	0	0	0	0	2,563,396	2,563,396
June 30, 2016	25,000,000	25,565	21,839	–9,954,397	7,828,273	22,921,281





Homann Holzwerkstoffe GmbH
Herzberg am Harz

Notes to the interim consolidated financial statements for the period ended June 30, 2016

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016

1. Preparation of the interim consolidated financial statements

The interim consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 2016 were drawn up in accordance with the requirements of the German Commercial Code (HGB). The financial statements of consolidated companies were generally drawn up in accordance with the requirements of the respective countries. For the purposes of the interim consolidated financial statements, the separate financial statements were converted pursuant to sections 300, para. 2, and 308 HGB to a uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organised according to the total cost accounting method (Gesamtkostenverfahren; section 275, para. 2 HGB). The balance sheet figures for the previous year relate to December 31, 2015, while the income statement figures relate to the period from January 1, 2015 to June 30, 2015.

2. Basis of consolidation

The following companies were included in the interim consolidated financial statements as of June 30, 2016:

No.	Company	Equity share	Held by	Equity June 30, 2016 100 %	Net profit/loss for the period as of Jan. 1, 2016 to June 30, 2016
		%	No.	kEUR	
1	Homann Holzwerkstoffe GmbH, Herzberg				
2	Homanit Holding GmbH, Losheim	100.00	1	54,914	+72
3	Homanit GmbH & Co. KG, Losheim	100.00	2	36,012	+5,886
4	Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	33	+1
5	Homanit France SARL, Schiltigheim	100.00	3	23	+1
6	Homanit Polska Sp. z o.o., Spolka	99.99	3	50,109	+5,568
	Kommandytowa, Karlino	0.01	7		
7	Homanit Polska Sp. z o.o., Karlino	100.00	3	426	+49
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,042	+185
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	99.99	2	–4,438	–4,945
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	159	–11

3. Consolidation principles

Capital consolidation is performed by offsetting the carrying amount of investments in the Group companies against the proportionate balance sheet equity at the time of initial inclusion. The interim consolidated financial statements show no goodwill from capital consolidation. Negative goodwill is recognised in Group reserves. The purchase method (Neubewertungsmethode) was used for Group companies that were included in the interim consolidated financial statements for the first time after December 31, 2009.

Payables and receivables between consolidated companies are eliminated.

Revenues, income, and expenses between consolidated companies are eliminated.

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 drawn up in a foreign currency are translated at the rate in effect as of June 30, while income statements are generally translated at the average rate for the period from January 1 to June 30. The equity included in capital consolidation is translated at historical rates. Rate differences from the translation of subscribed capital as well as profit carried forward from subsequent consolidation are recognised in Group reserves. The differences from translation of annual results at average rates are recognised 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 recognised in Group reserves with no effect on profit or loss.

5. Accounting policies

HHW accounting policies also apply to the consolidated financial statements. Annual financial statements drawn up 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.

Tangible 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. Amortisation 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 amortisation or depreciation than the declining balance method.

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 lower of cost or market principle. Where necessary, lower fair values were recognised.

Finished and unfinished goods are measured at cost of manufacture, paying regard 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 recognised at nominal values. Individual impairments are undertaken for individual risks. Foreign-currency receivables are recognised at the exchange rate in effect on the transaction date or at lower rates in effect on the balance sheet date.

Liquid funds are stated at the nominal value. Funds in foreign currencies are translated at the spot exchange rate as of the reporting date.

Investments classified as current assets are recognised at amortised 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.

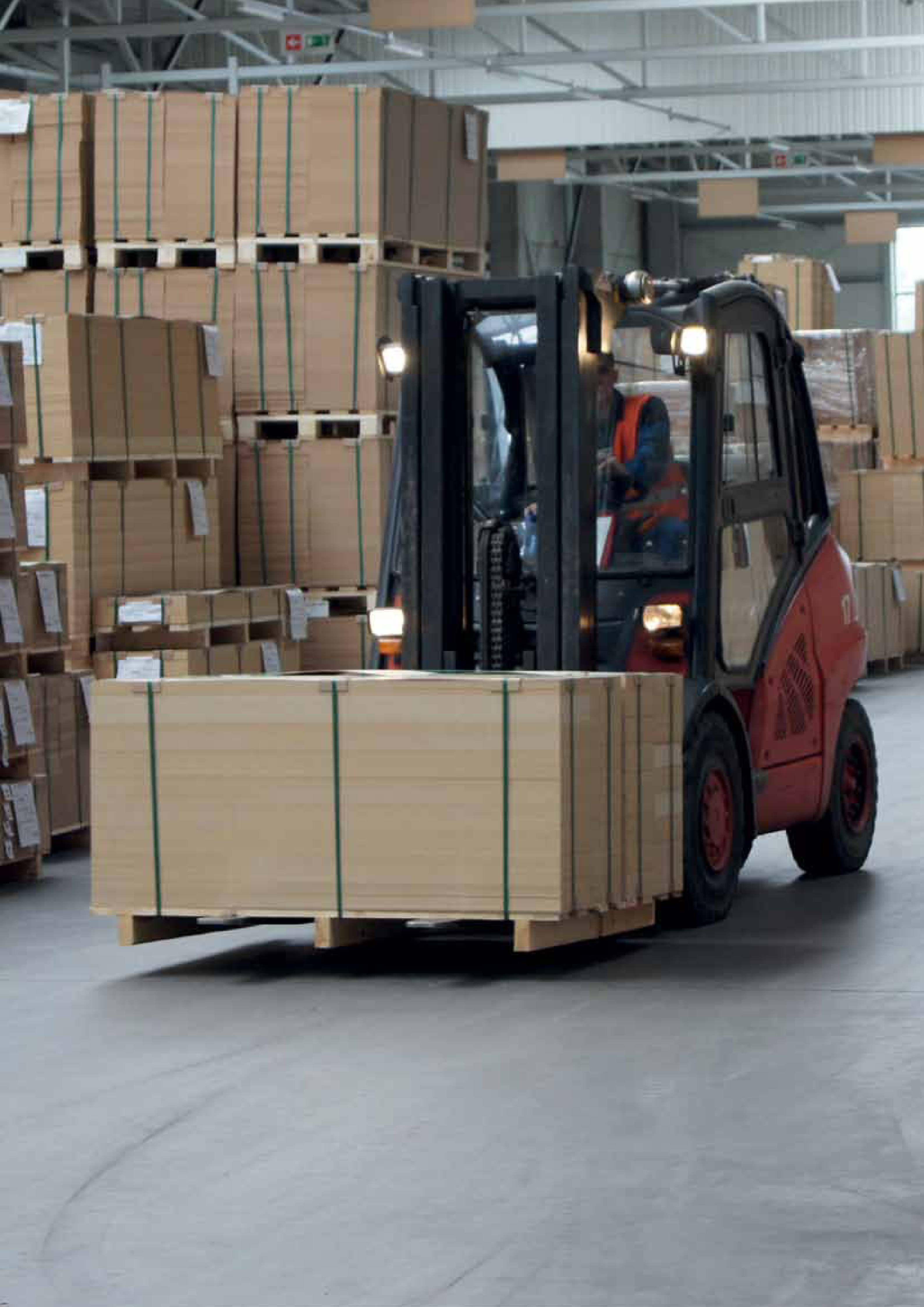
Advance payments of costs that concern the following months are recognised in **prepaid expenses**. Discounts do not form part of prepaid expenses.

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

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

Tax provisions and **other provisions** take into account all discernible risks and contingent liabilities pursuant to section 253, para. 1, sentence 2 HGB. Non-current provisions with a term of more than one year are discounted at the average market interest rate corresponding to their remaining term.

Liabilities are recognised at the repayment amount. Liabilities in foreign currencies are translated at the exchange rate on the day of acquisition or at higher exchange rates prevailing on the reporting date.



6. Notes to the interim consolidated balance sheet

a) Fixed assets

Changes in consolidated fixed assets for the period from January 1, 2016 to June 30, 2016:

	Cost of purchase/manufacture					
	Date Jan. 1, 2016 EUR	Re-classifications EUR	Additions EUR	Disposals EUR	Foreign exchange differences EUR	Date June 30, 2016 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	2,083,634.91	3,415,714.54	420,949.85	0.00	–40,588.23	5,879,711.07
2. Advance payments made	3,414,168.95	–3,414,168.95	0.00	0.00	0.00	0.00
	5,497,803.86	1,545.59	420,949.85	0.00	–40,588.23	5,879,711.07
II. Tangible fixed assets						
1. Properties, rights equivalent to real property and structures including structures on third-party properties	68,712,598.09	181,507.68	44,405.63	–83,564.49	–1,724,814.14	67,130,132.77
2. Technical equipment and machinery	167,017,235.26	1,677,087.46	1,444,618.93	–106,795.78	–5,417,603.59	164,614,542.28
3. Other property, plant and equipment	13,652,688.52	27,436.39	758,178.74	–127,525.15	–264,785.57	14,045,992.93
4. Advance payments made and work in progress	6,760,950.62	–1,887,577.12	5,510,040.35	0.00	–203,590.75	10,179,823.10
	256,143,472.49	–1,545.59	7,757,243.65	–317,885.42	–7,610,794.05	255,970,491.08
III. Financial assets						
1. Shares in affiliated companies	36,732.96	0.00	0.00	0.00	–434.80	36,298.16
2. Equity investments	782,324.50	0.00	0.00	0.00	0.00	782,324.50
3. Other loans	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
	2,819,057.46	0.00	0.00	0.00	–434.80	2,818,622.66
	264,460,333.81	0.00	8,178,193.50	–317,885.42	–7,651,817.08	264,668,824.81

Depreciation/impairments					Book value	
Date Jan. 1, 2016	Additions	Disposals	Foreign exchange differences	Date June 30, 2016	Date June 30, 2016	Date Jan. 1, 2016
EUR	EUR	EUR	EUR	EUR	EUR	EUR
1,666,525.15	280,836.20	0.00	–29,758.39	1,917,602.96	3,962,108.11	417,109.76
0.00	0.00	0.00	0.00	0.00	0.00	3,414,168.95
1,666,525.15	280,836.20	0.00	–29,758.39	1,917,602.96	3,962,108.11	3,831,278.71
23,713,654.58	1,331,794.11	0.00	–307,799.85	24,737,648.84	42,392,483.93	44,998,943.51
54,919,823.99	5,215,984.47	–106,274.01	–1,367,088.62	58,662,445.83	105,952,096.45	112,097,411.27
7,892,551.97	677,549.85	–82,388.37	–102,385.49	8,385,327.96	5,660,664.97	5,760,136.55
0.00	0.00	0.00	0.00	0.00	10,179,823.10	6,760,950.62
86,526,030.54	7,225,328.43	–188,662.38	–1,777,273.96	91,785,422.63	164,185,068.45	169,617,441.95
0.00	0.00	0.00	0.00	0.00	36,298.16	36,732.96
0.00	0.00	0.00	0.00	0.00	782,324.50	782,324.50
2,000,000.00	0.00	0.00	0.00	2,000,000.00	0.00	0.00
2,000,000.00	0.00	0.00	0.00	2,000,000.00	818,622.66	819,057.46
90,192,555.69	7,506,164.63	–188,662.38	–1,807,032.35	95,703,025.59	168,965,799.22	174,267,778.12

b) Financial assets

The shares in HBG Holzbaustoff Beteiligungs-GmbH, Munich, and HOPE Investment sp.z.o.o., Poznan/Poland, were recognised as shares in affiliated companies. These companies are currently not consolidated as they are of minor importance. The equity investment relates to DHN Transportmittel GmbH & Co. KG as well as its general partner. The Group holds 50 % of the shares in each company. Information on the equity and interim results of these companies is not available. These companies are also not consolidated as they are of minor importance. Other loans relate to a silent partnership which was value-adjusted in the previous years.

c) Receivables, other assets, prepaid expenses

Receivables from shareholders involve the interest-bearing clearing accounts with Fritz Homann GmbH and VVS GmbH. Receivables from affiliated companies are receivables from companies affiliated via the shareholders as well as from companies not included in the consolidated financial statements due to their minor importance. Significant items recognised in other assets are tax refund claims amounting to kEUR 3,426 (previous year: kEUR 4,857) as well as receivables from a factoring company amounting to kEUR 4,206 (previous year: kEUR 1,657). kEUR 16,013 (previous year: kEUR 16,327) of the receivables, other assets and prepaid expenses have a remaining term of more than one year.

d) Other securities

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

	June 30, 2016 kEUR	Dec. 31, 2015 kEUR
Other fund shares	133	363
Corporate bonds	778	878
	911	1,241

Of the corporate bonds, an amount of kEUR 778 (previous year: kEUR 778) relates to an investment in the bond issued by the company.

e) Deferred tax assets

Deferred tax assets totalling kEUR 242 (previous year: kEUR 248) are the result of differing valuation approaches used for the commercial balance sheet and the tax balance sheet. Deferred tax liabilities of kEUR 425 (previous year: kEUR 422) were deducted from these. Additional deferred tax assets of kEUR 1,695 (previous year: kEUR 2,605) were calculated on losses carried forward. The tax payable was determined in accordance with the respective legal form. Tax rates of between 13 % and 26.25 % were used.

Consolidation measures resulted in additional deferred tax assets totalling kEUR 205 (previous year: kEUR 221). The parent company's tax rate of 26.25 % was applied to the consolidation measures. kEUR 1,511 are subject to dividend restrictions pursuant to section 268, para. 8 HGB.

f) Equity

Subscribed capital, reserves and consolidated unappropriated retained earnings are recognised as equity.

Pursuant to commercial register entries, the following shareholder relationships existed as of June 30, 2016:

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

Other retained earnings resulted from the change of accounting rules implemented as a result of the German Accounting Modernisation Act (BilMoG).

Group reserves consist of the following:

	June 30, 2016 kEUR	Dec. 31, 2015 kEUR
Exchange differences	–10,036	–9,238
Negative goodwill arising from capital consolidation	+82	+82
	–9,954	–9,156

The negative goodwill resulting from initial consolidation relates to Homatrans (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2). The goodwill resulted from profits generated prior to first-time consolidation.

As of June 30, 2016, the **consolidated unappropriated retained earnings** amounted to kEUR 7,828. The reconciliation arises from the income statement.

g) Provisions

Pension provisions were recognised in accordance with actuarial reports. The projected unit credit method based on the 2005 tables of Prof. Klaus Heubeck was applied. The calculation was based on the following assumptions:

Interest rate (10-year average)	4.17 %
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, 2016 an amount of kEUR 57 from the first-time adoption of the German BilMoG Act had not yet been recognised in pension provisions. Application of the average interest rate of the past seven years would result in a kEUR 125 increase in pension provisions. kEUR 182 are subject to dividend restrictions pursuant to section 268, para. 8 HGB.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations which essentially refer to the current financial year.

Other provisions include obligations from the employment of staff in the amount of kEUR 2,417 as well as outstanding customer bonuses in the amount of kEUR 246.

The liabilities resulting from domestic early retirement arrangements are backed by securities. These securities are offset against the underlying liabilities. As of June 30, 2016, a negative difference in the amount of kEUR 606 (previous year: kEUR 867) arose which was recognised in other provisions. The provisions amounted to kEUR 2,153 (previous year: kEUR 2,256), and the plan assets offset against the latter at fair value amounted to kEUR 1,547 (previous year: kEUR 1,389). In the income statement, there was a corresponding offsetting of the expenses from compounding against the interest income from the investment of the plan assets.

h) Liabilities

Liabilities have the following maturity structure:

December 31, 2016 (EUR)	up to 1 year	1 to 5 years	more than 5 years	total
1. Bonds	0,00	100.000.000,00	0,00	100.000.000,00
2. Silent partnership	0,00	0,00	4.000.000,00	4.000.000,00
3. Liabilities to financial institutions	50.168.721,85	19.216.688,75	2.562.508,00	71.947.918,60
4. Trade liabilities	21.524.049,25	0,00	0,00	21.524.049,25
5. Liabilities to affiliated companies	17.630,66	0,00	0,00	17.630,66
6. Other liabilities	11.297.487,12	632.861,36	100.554,22	12.030.902,70
	83.007.888,88	119.849.550,11	6.663.062,22	209.520.501,21

December 31, 2015 (EUR)	up to 1 year	1 to 5 years	more than 5 years	total
1. Bonds	0,00	100.000.000,00	0,00	100.000.000,00
2. Silent partnership	1.250.000,00	0,00	4.000.000,00	5.250.000,00
3. Liabilities to financial institutions	48.119.709,27	22.814.455,86	3.454.174,00	74.388.339,13
4. Trade liabilities	22.939.986,35	0,00	0,00	22.939.986,35
5. Liabilities to affiliated companies	30.578,33	0,00	0,00	30.578,33
6. Other liabilities	8.075.738,31	558.760,80	170.399,32	8.804.898,43
	80.416.012,26	123.373.216,66	7.624.573,32	211.413.802,24

On 14 December 2012, the company issued a 5-year corporate bond in the amount of EUR 50 million at the Frankfurt/Main stock exchange. The bond was increased by EUR 25 million each in July 2013 and in May 2014. Interest is payable in arrears on December 14 of each year. The interest rate is 7.0 % p.a. The bond is unsecured and unsubordinated. Interest was recognised on an accrual basis as of June 30, 2016.

The silent partnership in the financial statements of the subsidiary Homanit GmbH & Co. KG serves to strengthen the equity base; it has a term until September 30, 2022 and is held by a financial institution.

Liabilities to financial institutions are secured by land charges (Grundschulden) on corporate properties and by security assignments relating to purchased machinery and inventories. The remaining liabilities are unsecured.

Compared to December 31, 2015, they decreased by kEUR 2,441.

Other liabilities include, in particular, hire purchase liabilities from the financing of the new ERP system in the amount of kEUR 3,218 (previous year: kEUR 2,944) and from the financing of spare parts for essential production facilities in the amount of kEUR 800 (previous year: kEUR 869).

Further important other liabilities result from accrued interest under the bond issued by Homann Holzwerkstoffe in the amount of kEUR 3,782 (previous year: kEUR 3,782).

A customer loan amounting to kEUR 910 (previous year: kEUR 1,415) was also recognised in other liabilities. The customer participates in the financing of investments in technical facilities.

Other liabilities furthermore include outstanding wages of kEUR 1,184 (previous year: kEUR 1,047). Taxes accounted for kEUR 822 (previous year: kEUR 325) and social insurance contributions for kEUR 727 (previous year: kEUR 719).

7. Notes to the income statement

a) Revenues

Sales revenues break down into kEUR 25,567 generated in Germany (previous year: kEUR 22,356) and kEUR 88,558 generated abroad (previous year: kEUR 78,851). The table below shows a breakdown of revenues by Group companies:

	June 30, 2016 kEUR	June 30, 2015 kEUR
Homanit Germany	36,649	37,008
Homanit Poland	47,096	55,423
Homanit Krosno	39,873	26,825
Other	2,994	3,580
Consolidation	–11,487	–21,629
	114,125	101,207

b) Other own work capitalised

Other own work capitalised was realised primarily in Krosno, Poland, and relates to the construction and reconstruction of buildings and technical plants. Besides direct material costs and material overheads, direct and indirect labour costs were capitalised as well to the extent that they could be assigned to the projects.

c) Other operating income

The main item recognised in other operating income were exchange gains of kEUR 1,046 (previous year: kEUR 2,712). It also includes income from the sale of fixed assets in the amount of kEUR 3,657 (previous year: kEUR 4,125).

d) Cost of materials

The cost of materials increased by kEUR 1,020 compared to the prior year period, i.e. at a lower rate than sales revenues thanks to the favourable price trends of essential input factors.

e) Expenses for personnel

Expenses for personnel in the first half of 2016 were down by kEUR 210 on the same period of the previous year. This comprises expenses for old-age provisions in the amount of kEUR 176.

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

	June 30, 2016	June 30, 2015
Salaried workers	289	285
Hourly workers	1,099	1,080
Total	1,388	1,365

f) Other operating expenses

The main items recognised in other operating expenses were:

	June 30, 2016 TEUR	June 30, 2015 TEUR
Freight and other sales costs	7,279	7,466
Currency losses	5,258	1,733
Repair and maintenance costs	2,752	2,924
Administrative costs	4,221	3,931
Costs of performance	2,279	1,888

Currency losses were offset by currency gains of kEUR 1,046 (previous year: kEUR 2,712), which are shown under other operating income. Other operating expenses also include other taxes in the amount of kEUR 511 (previous year: kEUR 392).

g) Financial result

Income from other investments and loans classified as financial assets in H1 primarily related to interest income from the bond issued by the company. Interest income primarily results from the shareholder clearing accounts. Interest expenses increased by kEUR 1,674; it should be noted that the proceeds from the bond issue were mainly used for the investments in Krosno. The parent company granted the corresponding loans to its subsidiaries or made the capital contributions, respectively. Until completion of the investments in Krosno, interest on the loan was recognised in fixed assets where possible. No more interest was capitalised in the first half of 2016. As a result, interest expenses increased by kEUR 1,674 compared to the previous year. The financial result includes interest income in the amount of kEUR 185 from the clearing account of Fritz Homann GmbH.

h) Income taxes

This item contains income tax and trade tax expenses for the first half of 2016 in the amount of kEUR 721 (previous year: kEUR 112) as well as income from deferred taxes from intra-group income from the sale of fibreboards and fixed assets in the amount of kEUR 16. In addition, deferred tax assets of kEUR 909 were derecognised as an expense due to the utilisation of tax losses carried forward. The change in valuation differences between the commercial balance sheet and the tax balance sheet accounted for an income in the amount of kEUR 10.

8. Other financial commitments

As of the balance sheet date, other **financial commitments** amounted to kEUR 11,141 (previous year: kEUR 8,809). These commitments involve rental and leasing agreements. There is also a liability from plant orders amounting to kEUR 6,145 (previous year: kEUR 7,293).

9. Other information

The parent company of Homann Holzwerkstoffe GmbH is Fritz Homann GmbH, Herzberg. Homann Holzwerkstoffe GmbH is registered with the local court of Göttingen under HRB 200679.

Mr Fritz Homann, Commercial Manager, Munich, is 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.

Herzberg, September 13, 2016

(Fritz Homann)

REVIEW REPORT

To Homann Holzwerkstoffe GmbH:

We have reviewed the interim consolidated financial statements comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of changes in equity as well as the condensed interim Group management report of Homann Holzwerkstoffe GmbH for the period from January 1, 2016 to June 30, 2016.

The preparation of the interim consolidated financial statements in accordance with the provisions of German commercial consolidated accounting law to be applied to consolidated financial statements and the preparation of the interim Group management report in accordance with the principles of the German accounting standard No. 16 “Interim Financial Reporting” (DRS 16) are the responsibility of the company’s legal representatives. Our remit is to express an opinion on the interim consolidated financial statements and the interim Group management report on the basis of our audit.

We completed our review of the interim consolidated financial statements and the interim Group management report based on German principles for financial reporting review engagements established by the IDW (“Institut der Wirtschaftsprüfer”, German institute of auditors). According to these principles, a review engagement must be planned and carried out so that, based on a critical appraisal, we can be reasonably certain that the interim consolidated financial statements comply with the provisions of German commercial consolidated accounting law to be applied to consolidated financial statements and convey an accurate and fair view of the Group’s net assets, financial position and results of operation in keeping with generally accepted accounting principles or that the interim Group management report complies with the principles of DRS 16 to be applied to the interim Group management report. A review engagement is mainly limited to interviews with company employees and an analytical evaluation, which means it does not result in the same level of certainty attained by an audit. Since we were not engaged to complete an audit, we are not issuing an audit opinion.

During our review engagement, we did not become aware of any information that would indicate that the interim consolidated financial statements were not prepared in accordance with the provisions of German commercial consolidated accounting law to be applied to consolidated financial statements or do not convey an accurate and fair view of the net assets, financial position and results of operation in keeping with generally accepted accounting principles or that the interim Group management report was not prepared in accordance with the principles of DRS 16 to be applied to the interim Group management report.

Pursuant to Section 9 (2) of the general terms of engagement, our liability for a single negligent damage case, except for damages resulting from injury to life, body and health, is limited to EUR 4 million. This limitation of liability applies to you and all other addressees and/or third parties (hereinafter collectively “recipients”) who are informed about the results of our work in accordance with the terms of engagement. These recipients are joint creditors in the meaning of Section 428 of the German Civil Code (“Bürgerliches Gesetzbuch”, BGB) and the maximum liability amount of EUR 4 million is only available once to all recipients together. The distribution of the liability amount must exclusively be determined by the recipients. We are entitled to also raise objections from the engagement vis-à-vis the recipients included in the scope of protection of the engagement, Section 334 BGB.

Viersen, September 22, 2016

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