HOMANN HOLZWERKSTOFFE

Interim Group Report First Half 2019 for Homann Holzwerkstoffe GmbH

Interim Group Report for Homann Holzwerkstoffe GmbH

for the period from January 1, 2019 to June 30, 2019

TABLE OF CONTENTS

FOREWORD

Dear Sir or Madam,

Despite a weakening of the markets, especially in the trade sector, where demand for MDF/HDF boards fell in some cases by double digits, our Group succeeded in continuing to grow, albeit moderately. We were able to increase revenues (adjusted for the Insulation division, which was closed in December 2018) by 2 % to EUR 140 million compared with the same period of the previous year.

The announced winding-down of our wood insulation activities was successfully completed. All resulting negative one-off effects were fully taken into account in fiscal year 2018, resulting in no negative effects for 2019.

Group EBITDA rose by 11.2 % to EUR 24.8 million in the first half of 2019 compared to the very strong first half of 2018.

We intend to continue this successful and profitable growth of our core business in the future. Accordingly, we are focussing on increasing productivity, accompanied by a continuous improvement in quality and customer service.

In times of increasingly complex formaldehyde regulations, the Homann Holzwerstoffe Group is creating clarity and commitment and is converting the entire product range worldwide to the new E05 standard applicable in Germany from 01.01.2020 with effect from 01.10.2019.

All plants producing medium-density and high-density fiberboards (MDF/HDF) continued to perform well in the first half of 2019. Demand in the main core markets varied. In Western Europe, demand declined noticeably, while it continues to grow in Eastern Europe.

After the revenues growth achieved in the first half of 2019, we expect an increase in revenues for the full year compared to the previous year, subject to the overall economic development. In the second half of the year in particular, we expect raw material prices to ease further, which will have a correspondingly positive effect on margins and should therefore lead to an increase in operating EBITDA compared with the previous year.

In order to secure future growth, we are continuing to examine possibilities for capacity expansion. This includes the possible acquisition of existing plants or a complete new greenfield investment to increase production capacity in the medium and long term.

This successful development would not have been possible without our dedicated team of employees and the trust of our customers and business partners. We would like to express our sincere thanks for this and look forward to the further joint tasks.

Yours sincerely,

Fritz Homann
Managing Director of Homann Holzwerkstoffe GmbH

INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2019

A. Business activity and framework conditions

1. Corporate structure and business model

The Homann Holzwerkstoffe Group specializes in the production and sale of thin, finished wooden fibreboards (HDF/MDF). The group is one of the leading European suppliers and mainly deliveres to the furniture and door industry. Organizationally, the group consists mainly of Homann Holzwerkstoffe GmbH as parent company and three operating companies, which are held via Homanit Holding GmbH. Homanit GmbH & Co. KG produces in Germany at the Losheim am See site, Homanit Polska sp.z o. o. i. K., Karlino, and Homanit Krosno Odranskie sp.z.o.o., Krosno, produce in Poland.

The group covers all relevant stages of the value chain from the provision of raw materials wood, glue and electricity to multi-stage board production, finishing and customizing as well as distribution and sales. This provides direct control over all process steps and thus guarantees high product quality. In the context of research and development work, continuous further development is also promoted in order to be able to react individually to customer wishes and market conditions. This strategic concentration is the main factor for the achieved market leadership position in Europe within the segment of thin, finished HDF/MDF boards measuring up to 3 mm.

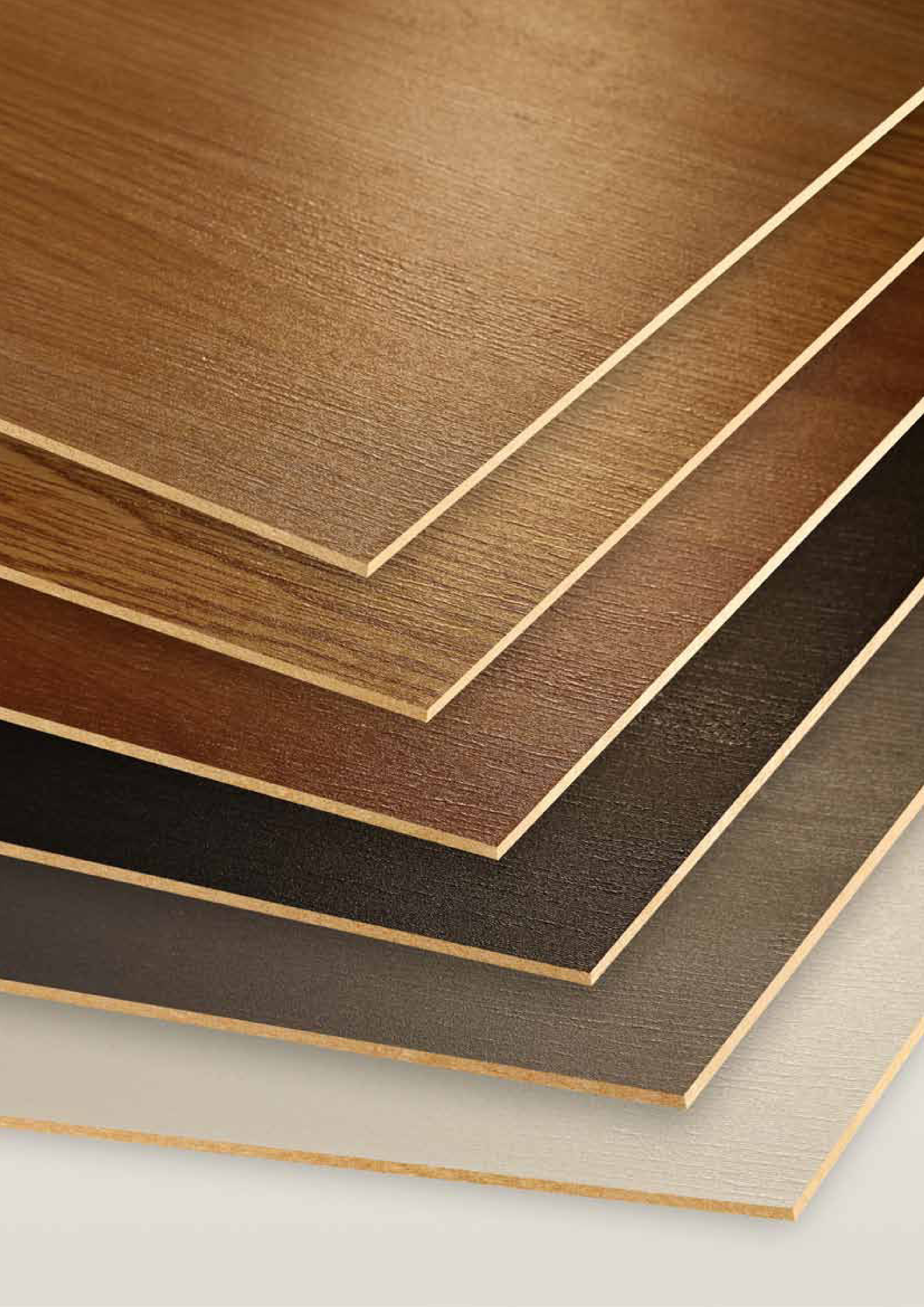
The production of insulating materials via the investment in Homanit Building Materials GmbH & Co. KG, Berga, was discontinued at the end of 2018 in order to concentrate on the core segment relevant to the Group and to put an end to the burden on earnings caused by the Insulation Materials segment. The comparable figures for the prior-year period still include the corresponding figures for the Insulation Materials segment. Comparability is limited accordingly; please refer to the reconciliation in the Notes, no. 7. The investment was deconsolidated in the first half of 2018.

2. Framework conditions

Macroeconomic situation

In the first half of 2019, economic development in the euro zone was significantly dampened compared with the same period of the previous year. However, despite slightly recessive trends in certain countries, according to eurostat data the euro zone still recorded overall growth, which at 1.2 % in the first quarter and 1.1 % in the second quarter was only half as strong as in 2018. The fastest-growing countries in the euro zone and the EU were primarily the Eastern European nations, including Poland and Lithuania, as well as Spain and Denmark. In their July 2019 World Economic Outlook regarding the rest of the year, even the IMF experts adjusted their growth expectations for the US economy from 2.3 % to 2.6 %. In the euro zone, on the other hand, they see the economic peak reached and forecast a flattening of growth to 1.3 % in 2019. By comparison, growth in 2018 was still at 1.9 %.

The development in Germany is essential for the flattening of the economy in Europe. According to the IMF, with growth forecast to be only 0.7 % in 2019, Germany is the worst performer among the major European economies. This picture was already confirmed in the first half of 2019. According to the Federal Statistical Office (Destatis), growth in the first quarter



of 2019 was still 0.8 % year-on-year and then came to a complete standstill in the second quarter. The weakness in exports could hardly be offset by domestic impetus. Consumption was still relatively strong.

Industry trend

The competitive environment in the markets relevant to the Homann Group intensified some-what in the period under review. Increasing penetration of the Central European market by MDF/HDF producers from Eastern Europe can be observed. At the same time, production volumes of MDF and HDF boards in Germany declined noticeably. The bottleneck in supply in previous years from the customer's point of view almost completely disappeared in 2019 and in some cases turned into an oversupply. After a temporary slowdown, prices have stabilised again. Commodity prices also fell slightly in some cases. There is a healthy competitive situation in the market segment for thin and finished boards with up to 3 mm thickness, on which the Homann Group concentrates. Despite additional capacities, this market segment is relatively balanced.

The general conditions in the furniture and door industries, the most important sectors for the Group, developed differently. While the furniture industry in Western Europe is weakening, the door industry is in calm waters. The Association of the German Furniture Industry reports a decline of 1.8 % in industry sales for the first half of 2019. This development is expected to continue over the year as a whole. The association expects industrial sales to decline by 1.5 to 2.0 %. Polish furniture production has been growing at a stable annual rate of approx. 9 % since 2010 and has started 2019 on a positive note.

B. Business situation of the Group

1. Results of operation

The Group's earnings situation continued to develop positively in the first half of the year. Revenues increased by around 2 % from EUR 137.8 million (adjusted for the discontinuation of the Insulation Materials division in 2018) in the same period of the previous year to EUR 140.2 million. This is due in particular to the successful capacity increase at the Krosno site in Poland. As a result, the increased demand was met in the 1st half of 2019.

In the first half of the year, the cost of materials ratio (based on total operating performance) was reduced by 1.7 percentage points to 54.0 % compared to the same period of the previous year (adjusted for the figures for the Insulating Materials division), in particular due to low raw material costs for wood and glue. The price development for the raw material wood differs between Poland and Germany. While wood prices in Poland remained at the previous year's level, they are under pressure in Germany due to drought and bark beetle infestation. Further short-term recovery of purchase prices is to be expected.

Prices for the basic materials methanol and urea within the glue segment eased during the first half of 2019 after a sharp rise in the previous year, therefore no price increase is to be expected.

General electricity prices rose in the first half of 2019. This trend was counteracted by long-term coverage.

At 14.9 %, the personnel expense ratio rose slightly compared with the same period in the previous year. The average number of employees rose to 1,474 (30.06.2018: 1,461 excluding Insulating Materials division) due to a slight increase in the core area.

Other operating expenses fell significantly year-on-year to EUR 19.0 million (previous year: EUR 28.6 million, including one-off effects of EUR 9.2 million). Adjusted for one-off effects (currency differences and closure costs for the Insulation Materials division), these fell by EUR 0.4 million.

Overall, EBITDA improved significantly to EUR 25.7 million compared to the first half of the previous year (EUR 14.1 million). The EBITDA margin thus amounts to 18.0 %.

Adjusted for special effects (exchange rate gains of EUR 0.9 million in the reporting period and exchange rate losses, bond issue costs and losses from discontinued operations of EUR 8.2 million in total in the prior-year period), operating EBITDA for the fiscal year amounted to EUR 24.8 million, compared with EUR 22.3 million in the prior-year period. This 11.2 % increase over the previous year exceeded the budget for the reporting period.

Interest expenses fell slightly due to scheduled repayments and the associated reduction in financial liabilities.

In total, earnings of EUR 13.7 million were generated. This positive development is characterised by the continued improvement in operating efficiency in the core areas and the closure of the Insulation Materials division, which has negatively impacted earnings in recent years. This enables the Group to demonstrate its positive sustainable earnings power in the current year.

2. Net assets

Total assets increased by EUR 3.8 million from EUR 261.1 million in the previous year to EUR 264.9 million.

In the first half of the year, investments of EUR 6.4 million were made in fixed assets, in particular in production and finishing equipment as well as building fixtures. Taking into account depreciation, asset disposals and exchange rate differences, fixed assets remained at the previous year's level of EUR 165.1 million (previous year: EUR 165.3 million).

Receivables and other assets increased by EUR 4.3 million compared to December 31, 2018, while inventories decreased by EUR 1.6 million. Overall, current assets thus increased slightly.

Equity increased significantly to EUR 52.3 million (previous year: EUR 38.4 million), in particular due to the earnings generated. The equity ratio thus rose to 19.7 % (previous year: 14.7 %).

Provisions remained almost unchanged compared to the previous year, while liabilities were reduced by EUR 10.9 million, mainly due to the repayment of loans and leasing obligations.

3. Financial position

Cash flow from operating activities amounted to EUR 13.8 million (first half of the previous year: EUR 12.6 million). This was offset by a cash outflow of EUR 6.1 million from investing activities and a net cash outflow from financing activities of EUR 8.6 million. Overall, cash and cash equivalents thus decreased by EUR 0.9 million.

As of June 30, 2019, liquid funds and securities of EUR 21.3 million were available. In accordance with DRS 21, short-term liabilities to banks amounting to EUR 30.6 million were included in cash and cash equivalents. This results in cash and cash equivalents of EUR –9.3 million.

The net assets, financial position and results of operations can be assessed as good overall.

C. Forecast

1. Future opportunities and risks

Opportunities arise from the trend towards lightweight construction within the furniture industry and the resulting demand for the Group's products. Due to the constant replacement and rationalisation investments, the production facilities are state-of-the-art. This makes it possible to consistently increase the capacity of existing plants.

Risks in the area of sales and turnover arise above all from a possible downturn in the general economic development and the resulting decline in demand, as well as from the competitive situation with other manufacturers, which may lead to price reductions or the loss of market shares in the future. Risks may also arise from the loss of key clients.

Risks to the Group's earnings also arise from possible cost increases. Regarding the energy policy, we assume that existing regulations and benefits for energy-intensive companies (EEG levy) will continue to exist. As for raw materials, fluctuations in the price of wood and other substitute materials such as glue can lead to cost increases. While the Group intends to pass on price increases from input factors to clients, this can have an impact on earnings, at least in the short term, especially in the case of short-term increases. The enforceability of price increases is also influenced by the competitive situation.

Regarding the personnel situation, the Group has qualified employees and long-standing employee relationships. Risks arise if no new qualified employees can be found in the event of the departure of specialists for newly created positions or if cost increases arise due to a shortage of specialists. For this reason, the training, advancement and qualification of junior staff and automation will be of greater importance in the future.

Financing risks arise in the case that contractually agreed credit ratios are not met in the future or credit lines cannot be renewed when due.

For the Polish locations, there is also a market risk from changes in exchange rates.

2. Outlook and strategic plans

All of the Group's sites performed well in the first half of the year. The market for thin boards remains stable in the core countries supplied by the Group. We therefore expect a continued good development for 2019 as a whole. With regard to revenues, we expect moderate growth compared with the previous year, while with regard to operating EBITDA we assume that the increase met in the first half of the year compared with the same period of the previous year will also be achieved for the year as a whole.

As of 01.10.2019, we will create clarity and commitment in the course of the increasingly complex formaldehyde regulations and convert the entire product range worldwide to the E05 standard applicable in Germany as of 2020.

Munich, September 9, 2019

Fritz Homann

CONSOLIDATED BALANCE SHEET

of Homann Holzwerkstoffe GmbH, Munich as of June 30, 2019

ASSETS

	Item Comment	EUR	June 30, 2019 EUR	June 30, 2018 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		2,383,465.96		2,802,570.32
2. Advance payments made		61,056.00		0.00
			2,444,521.96	2,802,570.32
II. Tangible assets	6.a.			
1. Properties, rights equivalent to real property and structures including structures on third-party properties		44,517,989.60		44,978,354.48
2. Technical equipment and machinery		101,288,083.84		102,301,084.89
3. Other property, plant and equipment		6,244,190.33		6,228,517.08
4. Advance payments made and work in progress		9,856,449.74		8,386,613.98
			161,906,713.51	161,894,570.43
III. Financial assets	6.b.			
1. Shares in affiliated companies		111,981.31		11,628.91
2. Equity investments		607,324.50		607,324.50
			719,305.81	618,953.41
			165,070,541.28	165,316,094.16
B. Current assets				
I. Inventories				
1. Raw materials and supplies		21,242,435.93		21,801,196.10
2. Unfinished goods		3,998,536.30		3,766,740.65
3. Finished goods		8,129,478.31		9,385,839.43
4. Advance payments made		200,435.64		270,572.79
			33,570,886.18	35,224,348.97
II. Receivables and other assets	6.c.			
1. Trade receivables		3,167,753.93		1,520,887.89
2. Receivables from affiliated companies		237,374.79		142,671.25
3. Receivables from shareholders		14,448,888.99		14,067,633.46
4. Other assets		19,916,107.49		17,711,683.96
			37,770,125.20	33,442,876.56
III. Other securities	6.d.		1,674,603.62	2,646,948.82
IV. Cash holdings, bank deposits			21,299,269.07	20,323,022.74
			94,314,884.07	91,637,197.09
C. Accrued items	6.c.		2,571,541.05	1,234,744.91
D. Deferred tax assets	6.e.		2,323,330.00	2,568,000.00
E. Surplus from offsetting	6.f.		601,571.72	368,975.62
			264,881,868.12	261,125,011.78

LIABILITIES

	Item Comment	EUR	June 30, 2018 EUR	June 30, 2017 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		138,000.01		138,000.01
IV. Equity capital difference caused by foreign-exchange translation		–8,307,744.16		–8,537,922.85
V. Group profit carried forward		21,812,070.76		17,913,220.21
VI. Group earnings after taxes		13,662,355.70		7,898,850.55
VII. Profit distribution		0.00		–4,000,000.00
			52,330,246.91	38,437,712.52
B. Provisions	6.g.			
1. Provisions for pensions and similar obligations		2,588,495.00		2,393,588.00
2. Provisions for taxes		1,095,867.37		1,349,622.37
3. Other provisions		4,764,397.18		3,983,853.47
			8,448,759.55	7,727,063.84
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. Liabilities to financial institutions		108,285,295.85		112,354,004.51
4. Trade liabilities		23,477,197.25		29,154,285.79
5. Liabilities to affiliated companies		416,500.00		15,848.60
6. Other liabilities		7,923,868.56		9,436,096.52
			204,102,861.66	214,960,235.42
			264,881,868.12	261,125,011.78

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich for the period from January 1, 2019 to June 30, 2019

	Item Comment	Jan. 1, 2019 to June 30, 2019 EUR	Jan. 1, 2018 to Dec. 31, 2018 EUR	Jan. 1, 2018 to June 30, 2018 EUR
1. Revenues	7.a.	140,238,467.17	269,268,242.45	143,335,370.18
2. Reduction in inventory of finished and unfinished goods		-818,988.41	1,303,573.51	–1,513,479.91
3. Other own work capitalised		498,784.80	919,058.10	554,037.94
4. Other operating income	7.b.	2,469,445.02	3,161,119.14	1,648,082.93
		142,387,708.58	274,651,993.20	144,024,011.14
5. Cost of materials				
a) Cost of raw materials and consumables and goods for resale		–66,571,519.69	–134,535,872.61	–70,879,006.58
b) Cost of purchased services		–10,265,692.54	–20,775,276.19	–9,240,806.41
		–76,837,212.23	–155,311,148.80	–80,119,812.99
Gross profit		**65,550,496.35**	**119,340,844.40**	**63,904,198.15**
6. Expenses for personnel	7.c.			
a) Wages and salaries		–17,482,280.47	–33,962,407.53	–17,832,067.05
b) Social security, pensions and other benefits		–3,390,889.82	–6,637,047.45	–3,370,664.14
		–20,873,170.29	–40,599,454.98	–21,202,731.19
7. Depreciation and amortisation of intangible and tangible fixed assets		–8,089,377.09	–16,917,569.61	–8,872,768.44
8. Other operating expenses	7.d.	–18,980,292.47	–43,457,589.81	–28,568,559.06
Operating result		**17,607,656.50**	**18,366,230.00**	**5,260,139.46**
9. Income from investments		0.00	57,010.35	0.00
10. Other interest and similar income		421,906.20	1,368,481.22	523,318.71
11. Depreciation of financial assets and of securities held as current assets		0.00	–4,910,967.42	0.00
12. Interest and similar expenditure		–3,885,907.99	–7,942,514.34	–4,123,560.69
Financial result	**7.e.**	**–3,464,001.79**	**–11,427,990.19**	**–3,600,241.98**
13. Extraordinary expenses		–481,299.01	960,610.74	–102,453.26
14. Consolidated earnings (after taxes)		**13,662,355.70**	**7,898,850.55**	**1,557,444.22**

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Munich for the period from January 1, 2019 to June 30, 2019

		Jan. 1, 2019 to June 30, 2019 kEUR	Jan. 1, 2018 to Dec. 31, 2018 kEUR	Jan. 1, 2018 to June 30, 2018 kEUR
	Consolidated result	13,662	7,899	1,557
+/–	Depreciation of assets	8,089	16,918	8,873
–/+	Other non-cash expenses/income	–1,648	–3,158	0
–/+	Profit/loss from the disposal of fixed assets	–84	235	20
–/+	Decrease/increase in inventories	1,653	–3,817	1,725
–/+	Increase in trade receivables	–1,647	–460	–1,511
–/+	Decrease/increase in receivables from shareholders and affiliated companies	–476	2,035	–319
–/+	Increase/decrease in other assets	–3,344	–4,351	–3,232
+/–	Increase/decrease in provision	721	1199	3,824
+/–	Increase/decrease in trade payables	–5,677	400	–4,646
+/–	Increase/decrease in liabilities to shareholders and affiliated companies	401	5,533	0
+/–	Increase/decrease in other liabilities	–1,512	–2,399	–2,211
+/–	Interest expenses/interest income	3,304	6,689	4,198
+/–	Currency-related change in assets/liabilities	230	3,363	4,218
+/–	Income tax expenses/income	79	–961	102
=	**Cash flow from operating activities**	**13,751**	**29,125**	**12,598**
+	Proceeds from the disposal of tangible assets/intangible assets	286	86	62
–	Cash paid for investments in tangible assets/intangible assets	–6,397	–13,856	–4,173
–	Cash paid for additions to the basis for consolidation	0	0	–25
=	**Cash outflow from investing activities**	**–6,111**	**–13,770**	**–4,136**
+	Cash received from the raising of loans	0	10,000	0
–	Payments for the redemption of financial loans	–5,198	–16,592	–8,215
–	Payments made to equity holders	0	–4,000	0
–	Interest paid	–3,304	–6,689	–4,198
–	Corporate and trade tax paid	–79	961	–102
=	**Cash outflow and cash inflow from financing activities**	**–8,581**	**–16,320**	**–12,515**
	Change in cash and cash equivalents	–941	–965	–4,053
	Change in cash funds from changes in group structure	0	–219	0
+	Cash and cash equivalents at the beginning of the period	–8,311	–7,127	–7,127
=	**Cash and cash equivalents at the end of the period**	**–9,252**	**–8,311**	**–11,180**

Composition of cash and cash equivalents:	kEUR	kEUR	kEUR
Cash and cash equivalents	21,299	20,323	22,935
Securities	5	792	467
Short term agreed iabilities to financial institutions	–30,556	–29,426	–34,582
	–9,252	**–8,311**	**–11,180**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich for the period from January 1, 2018 to June 30, 2019

	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, 2018	25,000,000	25,565	103,811	–7,285,173	17,913,220	35,757,423
Profit distribution to the shareholders	0	0	0	0	–4,000,000	–4,000,000
Exchange differences	0	0	0	–1,252,750	0	–1,252,750
Passive residual balances from the capital consolidation	0	0	34,189	0	0	34,189
Group result for the year	0	0	0	0	7,898,851	7,898,851
December 31, 2018	25,000,000	25,565	138,000	–8,537,923	21,812,071	38,437,713
Profit distribution to the shareholders	0	0	0	0	0	0
Exchange differences	0	0	0	230,179	0	230,179
Passive residual balances from the capital consolidation	0	0	0	0	0	0
Group result for the year	0	0	0	0	13,500,026	13,500,026
June 30, 2019	25,000,000	25,565	138,000	–8,307,744	35,312,096	52,167,917

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, Munich for the period from January 1, 2019 to June 30, 2019

1. Preparation of the interim consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of June 30, 2019 were drawn up in accordance with the requirements of the group accounting regulations under commercial law applicable to consolidated financial statements. The financial statements of consolidated companies were generally drawn up 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 organised according to the total cost accounting method (Gesamtkostenverfahren; section 275, para. 2 HGB), whereby other taxes are shown in the other operating expenses. The balance sheet figures for the previous year relate to December 31, 2018, while the income statement figures relate to the period from January 1, 2018 to June 30, 2018.

HHW is registered with the Local Court of Munich under HRB 240650.

2. Basis of consolidation

In addition to Homann Holzwerkstoffe GmbH, the following ten subsidiaries were included in the consolidated financial statements for the period ended June 30, 2019 in accordance with the principles of full consolidation:

No,	Company	Equity share	Held by	Equity June 30, 2019	Net profit/loss 2019
		%	No,	kEUR	
1	Homann Holzwerkstoffe GmbH, Munich			23,698	–2,055
2	Homanit Holding GmbH, Munich	100.00	1	71,531	6,614
3	Homanit GmbH & Co. KG, Losheim	100.00	2	37,680	9,881
4	Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	35	0
5	Homanit France SARL, Schiltigheim	100.00	3	24	1
6	Homanit Polska Sp. z o.o., Spolka	99.99	3		
	Kommandytowa, Karlino	0.01	7	73,398	8,839
7	Homanit Polska Sp. z o.o., Karlino	100.00	3	825	127
8	Homatrans Sp. z o.o., Karlino	100.00	6	1,243	–90
9	Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	3,375	4,952
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	247	6
11	Homanit International GmbH, Munich	100.00	1	263	1

The results for the period also include corresponding income from investments in the case of nos. 2 to 4 and 6.

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 reported under other retained earnings. 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. The consolidated financial statements were prepared under the premise of the going concern assumption.

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 translated at the average rate for the period from January 1 to June 30, 2019. 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 and the differences from translation of annual results at average rates are recognised directly as an equity difference caused by foreign currency translation with no effect on profit or loss. Rate differences arise from the translation of payables and receivables denominated in a foreign currency where the translation rate has changed between the time the payable or receivable arose and the balance sheet date. These rate differences are also reported as an equity difference caused by foreign currency translation.

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. Intangible assets are typically depreciated over a useful life of 2-8 years.

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, including interest accruing during the construction period. 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 regulations. The straight-line method is applied where it leads to a higher rate of amortisation or depreciation than the declining balance method. Useful life is 10-75 years for land, leasehold rights and buildings, including buildings on unowned land and 2-15 years for technical equipment and machinery other fixtures, fittings and equipment.

Financial assets are measured at cost of purchase. Necessary value adjustments are made.

Inventories are measured at cost of purchase and cost of manufacture according to the lower of cost or market principle.

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 translated at the time of acquisition at the exchange rate in effect on that date; on the balance sheet date, foreign-currency receivables are recognised at the spot exchange rate in accordance with the realisation and cost of purchase principle.

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.

Liquid funds are stated at the nominal value. Funds in foreign currencies are translated at the spot exchange rate as of the reporting date pursuant to sec 256a HGB.

Extraordinary rent payments and advance payments of costs that concern the following months after June 30 are recognised in **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 recognition of the **positive difference from the offsetting of plan assets and liabilities**, 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 a term of more than one year are discounted at the average market interest rate over 15 years. 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 Dr. Klaus Heubeck, applying an actuarial interest rate of 2.15 %.

Liabilities are recognised 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 realisation, imparity and acquisition cost principle if the remaining term exceeds one year.

6. Notes to the interim consolidated balance sheet

a) Fixed assets

Changes in consolidated fixed assets for the period from January 1, 2019 to June 30, 2019:

Cost of purchase/manufacture

	Date Jan. 1, 2019 EUR	Re-classifications EUR	Additions EUR	Disposals EUR	Foreign exchange differences EUR	Date June 30, 2019 EUR
I. Intangible assets						
1. Concessions acquired against payment, commercial trade-mark rights and similar rights and assets as well as licenses to such rights and assets	6,788,529.02	0.00	75,698.42	0.00	11,397.99	6,875,625.43
2. Advance payments made	0.00	0.00	61,056.00	0.00	0.00	61,056.00
	6,788,529.02	0.00	136,754.42	0.00	11,397.99	6,936,681.43
II. Tangible fixed assets						
1. Properties, rights equivalent to real property and structures including structures on third-party properties	76,349,795.67	191,401.88	199,599.44	–202.38	593,633.98	77,334,228.59
2. Technical equipment and machinery	188,858,993.12	1,095,748.29	2,258,173.19	–198.43	1,828,928.92	194,041,645.09
3. Other property, plant and equipment	17,519,267.85	61,373.03	978,353.53	–674,326.80	106,019.00	17,990,686.61
4. Advance payments made and work in progress	8,386,613.98	–1,348,523.20	2,723,939.06	5,501.22	88,918.68	9,856,449.74
	291,114,670.62	0.00	6,160,065.22	–669,226.39	2,617,500.58	299,223,010.03
III. Financial assets						
1. Shares in affiliated companies	11,628.91	0.00	100,000.00	0.00	352.40	111,981.31
2. Equity investments	607,324.50	0.00	0.00	0.00	0.00	607,324.50
	618,953.41	0.00	100,000.00	0.00	352.40	719,305.81
	298,522,153.05	0.00	6,396,819.64	–669,226.39	2,629,250.97	306,878,997.27

Depreciation/impairments					Book value	
Date Jan. 1, 2019	Additions	Disposals	Foreign exchange differences	Date June 30, 2019	Date June 30, 2018	Date Dec. 31, 2017
EUR	EUR	EUR	EUR	EUR	EUR	EUR
3,985,958.70	502,644.35	0.00	3,556.42	4,492,159.47	2,383,465.96	2,802,570.32
0.00	0.00	0.00	0.00	0.00	61,056.00	0.00
3,985,958.70	502,644.35	0.00	3,556.42	4,492,159.47	2,444,521.96	2,802,570.32
31,371,441.19	1,286,273.29	–91.22	158,615.73	32,816,238.99	44,517,989.60	44,978,354.48
86,557,908.23	5,428,322.97	–198.43	767,528.48	92,753,561.25	101,288,083.84	102,301,084.89
11,290,750.77	872,136.50	–475,157.71	58,766.72	11,746,496.28	6,244,190.33	6,228,517.08
0.00	0.00	0.00	0.00	0.00	9,856,449.74	8,386,613.98
129,220,100.19	7,586,732.76	–475,447.36	984,910.93	137,316,296.52	161,906,713.51	161,894,570.43
0.00	0.00	0.00	0.00	0.00	111,981.31	11,628.91
0.00	0.00	0.00	0.00	0.00	607,324.50	607,324.50
0.00	0.00	0.00	0.00	0.00	719,305.81	618,953.41
133,206,058.89	8,089,377.11	–475,447.36	988,467.35	141,808,455.99	165,070,541.28	165,316,094.16

b) Financial assets

The **shares** in UAB Homanit Lietuva, established on 29 January 2019, and HOPE Investment sp.z.o.o. (formerly Homanit Poznan sp.z.o.o) / were recognised as shares in affiliated companies as of June 30, 2019. These companies are not consolidated as they are of minor importance. HBG Holzbaustoff Beteiligungs-GmbH, Berga, which was also reported in the previous year, was merged.

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. These companies are also not consolidated as they are of minor importance.

c) Receivables and other assets, prepaid expenses

Receivables in the amount of kEUR 14,449 have a remaining term of more than one year (previous year: kEUR 14,068), along with kEUR 3,587 in other assets (previous year: kEUR 3,536) and kEUR 56 in prepaid expenses (previous year: kEUR 106).

Receivables from shareholders involve the interest-bearing clearing accounts with VVS GmbH and Fritz Homann GmbH. They largely result from loans.

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 an investment in a limited partnership in the amount of kEUR 3,579 (previous year: kEUR 3,579), tax refund claims amounting to kEUR 9,392 (previous year: kEUR 10,701) as well as receivables from a factoring company amounting to kEUR 5,113 (previous year: kEUR 2,518).

Prepaid expenses consist in particular of accrued expenses for extraordinary rent and lease payments of kEUR 147 (previous year: kEUR 233) and of insurance premiums for the period after June 30, 2019.

d) Other securities

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

	June 30, 2019 kEUR	Dec. 31, 2018 kEUR
Bond issue of Homann Holzwerkstoffe GmbH	1,670	1,856
Other fund shares	5	791
	1,675	2,647

e) Deferred tax assets

Deferred tax assets result from different values recognised in the commercial balance sheet and the tax balance sheet in the amount of kEUR 40 (previous year: kEUR 488), from losses carried forward in the amount of kEUR 2,938 (previous year: kEUR 2,704) and from the elimination of interim profits (sale of fixed assets and inventories) in the amount of kEUR 126 (previous year: kEUR 139). Deferred tax liabilities of kEUR 780 (previous year: kEUR 363) result from different values recognised in the commercial balance sheet and the tax balance sheet. Deferred tax liabilities were netted out with deferred tax assets. In calculating deferred tax assets, tax loss carry-forwards are only taken into account to the extent that estimated future income would allow the deduction of those losses. For the calculation of deferred taxes, a tax rate consistent with the entity's legal form was applied to the differences between the commercial and 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.

f) Positive difference from the offsetting of plan assets and liabilities

Please refer to the explanations under item 6.h.

g) Equity

According to the entries in the commercial register, the following shareholder structure results as of June 30, 2019:

	kEUR	%
Fritz Homann GmbH	20.000	80,00
VVS GmbH	5.000	20,00
	25.000	100,00

The capital reserve was created by the contribution of shares in a GmbH by the shareholders at book values without consideration as part of the transformation of legal form.

Other retained earnings resulted from the change of accounting rules implemented as a result of the German Accounting Modernisation Act (BilMoG) of EUR 22 thousand and from negative differences from capital consolidation of EUR 116 thousand.

The negative goodwill resulting from initial consolidation relates to 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. In the event of the sale of the shares in these companies, the negative goodwill will be released through profit.

The **difference in equity caused by foreign currency translation** changed from kEUR –8,538 to kEUR –8,307 thousand due to the development of the PLN to EUR.

Sums in the amount of kEUR 398 (previous year: kEUR 385) cannot be distributed pursuant to section 253 para. 6 sentence 1 HGB and due to first-time application of the German Accounting Modernisation Act (BilMoG). An individually agreed distribution block dependent on financial figures exists for dividends that exceed the amounts required to settle tax liabilities.

h) Provisions

Both the projected unit credit method at the subsidiaries and the modified partial value method (at the parent company) using the 2018 G mortality tables of Prof. Klaus Heubeck were used as the actuarial calculation method for pension provisions. The calculation was based on the following assumptions:

	June 30, 2019
Interest rate at the beginning of the reporting period	3.21 %
Interest rate at the end of the reporting period	2.94 %
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, 2019, an amount of kEUR 37 from the first-time adoption of the German BilMoG Act had not yet been recognised in pension provisions. A difference of kEUR 361 arises pursuant to section 253 para. 6 sentence 1 HGB. Application of the average interest rate of the past seven years (2.15 %) would result in an increase in pension obligations by this amount.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for the period from January 1 to June 30, 2019, as well as from previous years mainly as a result of tax audits.

Other provisions largely relate to obligations towards staff (e.g. vacation, profit shares, overtime, contributions to the employer's liability insurance association), guarantee and bonus obligations to customers as well as imminent losses from pending transactions and contingent liabilities.

The **liabilities resulting from 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 disclosure purposes, the obligations from the early retirement agreements in the amount of kEUR 354 (previous year: kEUR 553) were offset in the balance sheet against the cover assets at fair value in the amount of kEUR 956 (previous year: kEUR 922). Thus, a difference of kEUR 602 (previous year: kEUR 369) from the asset side of the balance sheet is shown.

Securities are measured based on strict lower of cost or market principle; securities which are not netted out with the provision for early retirement (kEUR 5; previous year: kEUR 791) 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 were netted out with interest expenses from the compounding of early retirement provisions.

i) Liabilities

Liabilities have the following maturity structure:

June 30, 2019 (EUR)	up to 1 year	2 to 5 years	more than 5 years	total
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	38,633,812.62	60,151,483.23	9,500,000.00	108,285,295.85
4. Trade liabilities	23,477,197.25	0.00	0.00	23,477,197.25
5. Liabilities to affiliated companies	416,500.00	0,00	0.00	416,500.00
6. Other liabilities	6,247,303.79	1,676,564.77	0.00	7,923,868.56
	68,774,813.66	125,828,048.00	9,500,000.00	204,102,861.66

December 31, 2018 (EUR)	up to 1 year	2 to 5 years	more than 5 years	total
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	38,531,422.84	61,322,581.67	12,500,000.00	112,354,004.51
4. Trade liabilities	29,154,285.79	0.00	0.00	29,154,285.79
5. Liabilities to affiliated companies	15,848.60	0.00	0.00	15,848.60
6. Other liabilities	7,016,707.39	2,419,389.13	0.00	9,436,096.52
	74,718,264.62	127,741,970.80	12,500,000.00	214,960,235.42

The **corporate bond** comprises 60,000 notes with par value of EUR 1,000.00 each. The interest coupon amounts to 5.25 % p.a. payable annually at June 14, for the first time on 14 June 2018. The placement was carried out with a five-year term until 14 June 2022 on the Frankfurt/Main stock exchange. The bond is unsecured and not subordinated. Interest expense has been accrued until June 30, 2019, with the amount of kEUR 140.

The **silent partnership** is entered into with a bank based in the German state Saarland and has a term until September 30, 2022. Interest of 5.0 % p.a. is payable irrespective of company results and an additional 2.0 % depending on company results.

Liabilities to financial institutions are secured by land charges on corporate properties and by assignment of machinery and equipment and inventories. Additionally receivables and cash in bank accounts have been pledged. Insurance claims which may originate in relations to aforementioned assets have been assigned.

The remaining liabilities are unsecured.

Liabilities to affiliated companies result from delivery of goods and supply of services.

Other liabilities include especially liabilities from the financing of long-term assets (i.e. liabilities from financial lease contracts) in the amount of kEUR 2,875 (previous year: kEUR 3,943) and outstanding wages of kEUR 2,054 (previous year: kEUR 1,601) as well as the accrued interest on the bond in the amount of kEUR 140 (previous year: kEUR 715). Taxes included in this line time amounted to kEUR 1,157 (previous year: kEUR 523) and social insurance contributions to kEUR 1,084 (previous year: kEUR 1,082).

7. Notes to the income statement

In the following notes, it should be noted that compared with the period from January 1, 2018 to June 30, 2018, Homanit Building Materials GmbH & Co. KG (HBM KG), which was deconsolidated as of July 1, 2018, was included in the figures.

The following reconciliation is provided for comparability purposes:

	Inkluding HBM KG kEUR	HBM KG kEUR	without inclusion of HGM kEUR
Revenues	143,335	5,525	137,810
Change in inventory of finished and unfinished goods	–1,513	127	–1,640
Other own work capitalised	554	0	554
Other operating income	1,648	74	1,574
Gross profit	**144,024**	**5,726**	**138,298**
Cost of materials	–80,120	–3,580	–76,540
Expenses for personnel	–21,203	–1,850	–19,353
Depreciation and amortisation of fixed assets	–8,873	–299	–8,574
Other operating expenses	–28,569	–5,097	–23,472
Operating result	**5,259**	**–5,100**	**10,359**
Financial result	–3,600	–121	–3,479
Income taxes	–102	0	–102
Consolidated net income	**1,557**	**–5,221**	**6,778**

a) Revenues

Revenues break down into kEUR 32,767 generated in Germany (previous year: kEUR 32,892) and kEUR 107,472 generated abroad (previous year: kEUR 110,443). In the first half of 2019 kEUR 96,845 (previous year: 98,291) of the foreign revenues were generated in the European Union.

In the prior-year period, HBM KG accounted for kEUR 2,991 of domestic sales and kEUR 2,534 for revenues to customers in the European Union.

b) Other operating income

Other operating income largely consists of income from exchange rate fluctuations of kEUR 1,343 (previous year: kEUR 885), of which kEUR 422 were realised in the first half of 2019. In the same period of the previous year income from exchange rate fluctuations in the amount of kEUR 885 was totally realised.

c) Expenses for personnel

Expenses for personnel amounted to kEUR 20,873 (previous year: kEUR 21,203) and include kEUR 127 (previous year: kEUR 138) in expenses for old-age provisions.

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

	June 30, 2019	June 30, 2018
Salaried workers	358	355
Hourly workers	1,116	1,193
Total	1,474	1,548

Of these, 52 were white-collar employees and 35 blue-collar workers at HBM KG in the prior-year period.

d) Other operating expenses

Other operating expenses largely consist of freight and sales costs in the amount of kEUR 9,147 (previous year: kEUR 10,867), repair and maintenance costs and costs of performance in the amount of kEUR 3,561 (previous year: kEUR 4.129), administrative costs in the amount of kEUR 4,953 (previous year: kEUR 6,197) and expenses from exchange rate changes in the amount of kEUR 486 (previous year: kEUR 4,170). The expenses were totally realised in the first half year; of the amount of the previous year TEUR 823 were realized.

This item also includes e.g. other taxes in the amount of kEUR 556 (previous year: kEUR 602).

In the prior-year period, administrative expenses of kEUR 940, selling expenses of kEUR 1,536 and costs of services, repairs and maintenance of kEUR 512 were attributable to HBM KG.

In the prior-year period, there were also costs in connection with the closure of HBM KG in the amount of kEUR 2,023.

e) Financial result

Interest income results primarily from interest earned on settlement accounts with shareholders.

Interest expenses essentially comprise interest on the corporate bond and the loans granted by the lending banks in the amount of kEUR 2,794 (previous year: kEUR 2,702). Interest from lease and factoring agreements in the amount of kEUR 313 (previous year: kEUR 797) and similar expenses (loan processing fees, remuneration for silent partnership and expenses arising from swap agreements) in the amount of kEUR 688 (previous year: kEUR 423) are also recognised in this item. The discounting of long-term provisions resulted in interest expenses of kEUR 91 (previous year: kEUR 31).

HBM KG incurred interest expenses of kEUR 121 in the prior-year period.

f) Income taxes

This item contains income tax and trade tax expenses for the first half of 2019 in the amount of kEUR 314 as well as expenses for deferred taxes from the sale of fixed assets in the amount of kEUR 13 (previous year: kEUR 13) and from the use of tax loss carryforwards.

8. Contingent liabilities and other financial obligations

No contingent liabilities existed as of June 30, 2019.

As of the balance sheet date, other financial obligations amounted to kEUR 12,789 (Dec. 31, 2018: kEUR 10,139). These obligations involve rental, leasehold and leasing agreements. There is a liability from plant orders amounting to kEUR 6,762 (Dec. 31, 2018: kEUR 1,344).

The company entered into an interest rate agreement with two banks in order to hedge the interest rate risk resulting from the syndicated loan agreement entered into with the same banks. The transaction is a micro-hedge. A negative market value of kEUR 1,004 existed as of June 30, 2019 for which no provision was to be formed 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 18, 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. Supplementary report

There were no transactions of particular significance after the balance sheet date that had an extraordinary impact on the net assets, financial position and results of operations.

10. Other information

Group relationships

The parent company of Homann Holzwerkstoffe GmbH is Fritz Homann GmbH, Munich. Fritz Homann GmbH is entered in the Commercial Register of the Local Court of Munich

Management

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.

Fees

The fees recorded in the period from 1 January to 30 June 2019 in accordance with Section 314 (1) No. 9 HGB relate to audit services of kEUR 156.

Munich, September 9, 2019

(Fritz Homann)

REVIEW REPORT

To Homann Holzwerkstoffe GmbH:

We have reviewed the accompanying interim consolidated financial statements of HOMANN HOLZWERKSTOFFE GMBH, Munich, comprising the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the interim group management report for the business year from January 1, 2019 to June 30, 2019.

Responsibility of the legal representatives

The legal representatives of HOMANN HOLZWERKSTOFFE GMBH are responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with the requirements of German commercial law applicable to consolidated financial statements and of the interim group management report in accordance with the principles of German Accounting Standard No. 16 "Interim Financial Reporting" (DRS 16) applicable to interim consolidated financial statements. Management is also responsible for internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to issue a review report on these consolidated financial statements and on the interim group management report based on our review. We conducted our review of the consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the consolidated financial statements and the interim group management report have not been prepared, in all material respects, in accordance with the requirements of German commercial law applicable to consolidated financial statements and the interim group management report in accordance with the principles of German Accounting Standard No. 16 "Interim Financial Reporting" (DRS 16) applicable to interim consolidated financial statements. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in an audit. Since, in accordance with our engagement, we have not performed an audit of the financial statements, we cannot express an audit opinion.

Opinion

Based on our review, no matters have come to our attention that cause us to presume that the interim consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, and the interim group management report of HOMANN HOLZWERKSTOFFE GMBH, Munich, for the reporting period from January 1 to June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of German commercial law applicable to consolidated financial statements and the interim group management report in accordance with the principles of German Accounting Standard No. 16 "Interim Financial Reporting" (DRS 16) applicable to the interim consolidated financial statements.

Accounting principles and restrictions on disclosure and use

Without qualifying our opinion, we draw attention to the German commercial accounting rules applicable to consolidated financial statements and to the interim group management report in accordance with the principles of German Accounting Standard No. 16 "Interim Financial Reporting" (DRS 16) applicable to interim consolidated financial statements, which describes the applicable accounting principles. The consolidated financial statements and the interim group management report were prepared for submission to the stock exchange in Frankfurt/Main. Accordingly, the consolidated financial statements and the interim group management report may not be suitable for purposes other than those described above.

Our review report is intended exclusively for HOMANN HOLZWERKSTOFFE GMBH and may not be passed on to third parties or used by third parties without our consent.

Limitation of liability

Our liability is limited to EUR 4 million in accordance with Section 9 (2) of the General Terms and Conditions of Contract for Auditors and Auditing Companies dated 1 January 2017, attached as Annex 77, for a single case of damage caused by negligence, with the exception of damage arising from injury to life, limb and health, as well as damage giving rise to an obligation to pay compensation on the part of the manufacturer in accordance with Section 1 of the German Product Liability Act. These recipients are joint creditors within the meaning of § 428 BGB (German Civil Code) and the maximum liability per case of damage of EUR 4 million is only available to all recipients once in total.

We assume no liability, responsibility or other obligations towards third parties.

Viersen, September 9, 2019

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dipl.-Kfm. Hans-Hermann Nothofer
(Auditor)

Dipl.-Vw. Peter Kaldenbach
(Auditor)

HOMANN HOLZWERKSTOFFE GmbH
Adalbert-Stifter-Straße 39a
81925 Munich

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