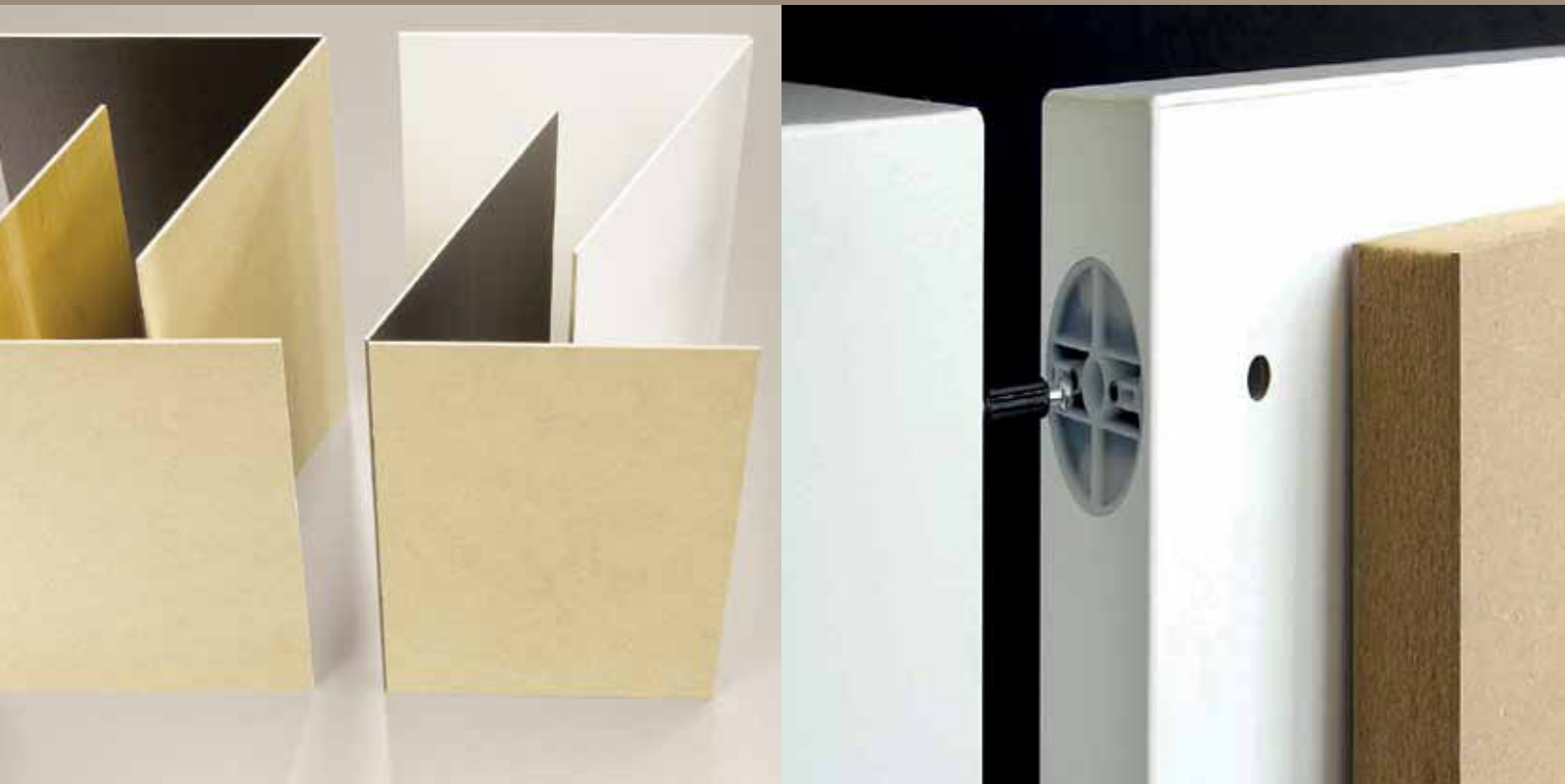


# Annual Report 2018

## Homann Holzwerkstoffe GmbH



# Annual Report 2018

## Homann Holzwerkstoffe GmbH

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## FOREWORD

Dear Reader,

The Homann Holzwerkstoffe Group grew its revenues and operating profit in 2018 and fully met its own targets. We succeeded in doing this despite the challenging market environment for the industry in 2018. Important customer industries, such as the furniture industry, had to contend with some significant declines. These challenges will continue to be felt in 2019.

The German and European furniture industries are still undergoing a difficult transformation process. Our development in 2018 was largely unaffected by this. In almost all of our target markets and in all product areas, the company performed well in 2018. We increased our revenues by 4.8% from EUR 256.9 million to EUR 269.3 million. Adjusted operating EBITDA grew by 9.1% from EUR 36.1 million to EUR 39.4 million. On the basis of this good operating performance, we achieved net income of EUR 7.9 million, compared with EUR 9.1 million in the previous year. Among others, one-off effects from the discontinuation of HOMANIT Building Materials led to the decline and were fully processed in 2018. Adjusted, net income for the year rose to EUR 16.8 million (previous year: EUR 11.8 million).

Operating cash flow rose from EUR 27.2 million to EUR 29.1 million in 2018. This strong performance in terms of earnings and cash flow leads to an improvement in balance sheet ratios and provides scope for further developments.

The positive development confirms the right strategic positioning and orientation of our group of companies. We focus primarily on high-density fibreboards (HDF), which are used in a large number of applications. In

particular, we have succeeded in further strengthening our market position in existing segments and diversifying our customer structure by expanding our refinement activities.

The price dynamics on the raw material market are gradually coming to an end. The slight supply overhang that has gradually emerged is calming the price trend. The windthrow in 2018 and the bark beetle plague, fueled by the dry summer, are leading to falling timber prices. We expect a stable gross profit margin and further moderate growth in revenues and earnings.

Our Group is on the verge of setting its next strategic course in order to secure further growth. In the medium term, we will become even more international and, measured by our portfolio and customer structure, even more diversified.

My special thanks go to all our employees for their hard work in 2018. Their know-how and commitment form the basis for our successful development. At the same time, I would like to thank our customers, investors and partners for their trust and support. Please continue to accompany us on our path.

Yours sincerely,



Fritz Homann  
Managing Director of Homann Holzwerkstoffe GmbH

## GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2018

### A. Presentation of the course of business

#### 1. Business model

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

As the Group is evaluating further possibilities for increasing capacity, Homanit International GmbH was founded in 2018, which is to bundle further foreign activities in the context of a possible further expansion in the future.

The Group covers all relevant steps of the value chain from the procurement of the raw materials wood, glue and electricity to multi-stage fibreboard production, product refining 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 driven forward in order to be able to react individually to clients wishes and market conditions. This strategic concentration is the main factor for the achieved market leadership in Europe in the segment of thin, refined HDF/MDF boards measuring up to 3 mm.

The production of insulating materials via the shareholding in Homanit Building Materials GmbH & Co. KG, Berga, (now: Olm GmbH & Co. KG) 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 shareholding was deconsolidated accordingly at the end of the first half of the year.

#### 2. Macroeconomic situation

In 2018, real gross domestic product (GDP) in the euro zone grew by 1.8% (2017: 2.4%), representing a five-year recovery and an overall fundamentally robust condition. Measured against the high expectations at the beginning of the year, however, the results are disappointing, as the economic development increasingly lost momentum over the course of the year, as the second half of the year with quarterly growth rates of only 0.2% shows. The manufacturing sector in particular can look back on a difficult 2018 with a decline of 1.8%. This was due both to temporary negative factors such as the switch to the new WLTP registration and emissions procedure in the automotive industry and the low water level, as well as the clouding of the international environment and the associated slowdown in global trade in goods. European companies also suffered losses in market share as a result of lower exports. One factor is likely to have been gradual losses in price competitiveness.



The German economy recorded growth of 1.5% in 2018, with the economy stagnating in the second half of the year. Here, too, the automotive industry's persistent difficulties in implementing the new WLTP emissions test standard were reflected. In addition, the fourth quarter saw considerable logistics problems due to record low levels on major German waterways such as the Rhine, particularly in the chemical and pharmaceutical industries. Despite this, domestic demand remained solid and a pillar of the economy.

### 3. Industry trend

The German furniture industry looks back on a difficult year 2018. Although a slight increase in turnover of around one percent remains, this cannot conceal the enormous challenges facing the industry and the different developments in the sub-sectors. The slight revival that did not begin until late autumn was

not sufficient to close the gap that had arisen in the course of the year, especially in the classic residential furniture segments. Only the kitchen and office segments were able to stand out positively from this development.

After three mixed quarters, the fourth quarter then got off to a positive start again with an 8.3% increase in revenues in October. After ten months – i.e. up to and including the end of October – the sector statistics now show a slightly positive result of 1.1% with total sales of just under EUR 15 billion. For 2018 as a whole, the Association of the German Furniture Industry expects sales to rise by one percent to around EUR 18 billion.

According to the industry information service EUWID 2018, demand in the market for MDF and HDF boards was noticeably below the previous year's level. This reflected weaker employment in the most important customer industries since mid-2018, in particular in





the laminate flooring industry and the furniture supply sector. According to various MDF manufacturers, retailers also placed noticeably fewer orders than in the same period last year. Weaker demand from Central European markets could only be offset to a limited extent by stronger export deliveries. In various non-European export markets, especially in the Middle East, prices came under increasing pressure in the last few months of 2018. In the DACH markets, average MDF/HDF prices via spot transactions and the renegotiation of contracts also declined further in the course of the fourth quarter.

For the production of MDF and HDF boards, the competitive situation in the year under review remained essentially unchanged from the previous year. There were also no significant changes in the competitive situation in the market segment for very thin and highly refined MDF and HDF boards with thicknesses of up to 3 mm, on which the Homann Group is strategically focusing. After a good first half of 2018, the market has reached a stable level in the course of 2018. The trend towards lightweight furniture remains unchanged and has contributed to further demand for thin HDF boards.

## B. The position of the Group

### 1. Earnings performance

Revenues in the fiscal year increased by around 5% from EUR 256.9 million in the previous year to EUR 269.3 million, with a similar increase in sales volume. The share of refined products increased due to good demand. Price increases were also implemented. Domestic sales rose by approx. 12%, in the European Union by 2% and in the rest of the world by approx. 11% compared to the previous year.

As in the previous year, other operating income mainly includes exchange rate gains of EUR 1.7 million (previous year: EUR 9.6 million). In addition, income from deconsolidation amounting to EUR 0.7 million is reported.

Due in particular to low raw material costs for glue in the first half of the year, the cost of materials ratio (based on total output) was reduced by 0.5 percentage points to 57.2% compared to the previous year. By the end of the year, the glue price had risen again to the budgeted level, as the prices for the raw materials of glue – methanol and urea – had become steadily more expensive due to the cost-determining raw material natural gas. The purchase prices for wood were at the previous year's level.

The personnel cost ratio did not change compared with the previous year. The average number of employees fell to 1,498 (previous year: 1,537) as a result of staff reductions in connection with the discontinuation of the insulating materials business and a slight reduction at one of our Polish plants.

Other operating expenses include exchange rate losses of EUR 3.8 million (previous year: EUR 3.8 million).

Overall, despite improved cost ratios compared with the previous year, reported EBITDA fell from EUR 37.7 million in the previous year to EUR 35.3 million in the financial year 2018, in particular as a result of changes in exchange rates and special effects.

To improve comparability of earnings power, adjusted operating EBITDA is calculated, which is adjusted for exchange rate gains and losses and special effects (discontinuation of the insulation materials division in the fiscal year and costs of issuing bonds in the previous year).

Accordingly, operating EBITDA for the fiscal year amounted to EUR 39.4 million, compared with EUR 36.1 million in the previous year. The budget was thus exceeded.

Interest expenses decreased significantly, in particular due to the more favorable refinancing of the corporate bond in the previous year. This positive effect was more than offset by one-off write-downs on financial assets.

Overall, a consolidated net profit of EUR 7.9 million was generated. The decline compared to the previous year is attributable to the aforementioned effects of exchange rates and the closure of the insulating materials business. Adjusted for these items, the consolidated net income for the year amounts to EUR 16.8 million and has thus increased significantly compared to the previous year (EUR 11.8 million).

### 2. Assets position

Total assets fell by EUR 10.5 million from EUR 271.6 million in the previous year to EUR 261.1 million.

In the fiscal year, investments in fixed assets amounting to EUR 13.9 million were made in particular in the optimization of finishing aggregates, a new dividing line, warehouses, building extensions and internal transport as well as software optimization. Taking into account depreciation, asset disposals, exchange rate differences and deconsolidation effects, fixed assets decreased by EUR 9.1 million from EUR 174.4 million to EUR 165.3 million.





Receivables and other assets decreased by EUR 0.5 million as of December 31, 2018. Receivables from shareholders decreased by EUR 2.1 million, mainly due to the offsetting of profit distributions.

Equity increased further to EUR 38.4 million (previous year: EUR 35.8 million), in particular due to the consolidated net income for the year. The equity ratio thus rose to 14.7 % (previous year: 13.1 %).

Provisions remained nearly unchanged compared to the previous year, while liabilities were reduced by EUR 13.9 million, mainly due to the repayment of loans and leasing obligations.

### 3. Financial position

A cash flow of EUR 29.1 million (previous year: EUR 27.2 million) was generated from operating activities in the fiscal year. This was offset by a cash outflow of EUR 13.8 million from investing activities and net cash outflows from financing activities of EUR 16.3 million; cash inflows from new borrowings of EUR 10.0 million were offset by repayments, dividends and interest and taxes paid of EUR 26.3 million.

As of December 31, 2018, liquid funds and free securities of EUR 23.0 million were available. In accordance with DRS 21, short-term liabilities to banks amounting to EUR 29.4 million were included in cash and cash equivalents. This results in cash and cash equivalents of EUR –8.3 million.

Asset position, financial position and earnings performance can be assessed as good overall.



## C. Forecast

### 1. Future development

#### Macroeconomic development

Growth of 1.1 % is expected for the euro zone in 2019, with the economy expected to pick up again from the second half of the year. The solid state of the domestic economy suggests that it has enough to counter the weakness of the external sector and the high level of uncertainty to at least continue to grow. The global slowdown, exacerbated by trade tensions, is likely to continue to create headwinds for foreign trade. The slow pace of economic activity also increases vulnerability to external influences. Should significant downside risks materialize, such as a unregulated Brexit, an expansion of trade conflicts or a financial crisis in Italy, a recession must be expected. But there is also room for positive surprises: A rapid recovery in the automotive industry and stockpiling before the Brexit date could provide an unexpected boost in the short term. The same applies to foreign trade in the medium term when the recent weakening of the euro takes effect, trade disputes are resolved and the Chinese economy recovers rapidly.

In Germany, real growth of 0.8 % is expected for 2019, which would mean the smallest increase in GDP since 2013. This forecast is much more cautious than had been expected for 2019 in the course of 2018. A substantial part of the downward revision is due to the unexpectedly low starting level for this year's economic growth due to stagnation in the second half of 2018.

#### Sector development

For 2019, the Association of the German Furniture Industry (Verband der Deutschen Möbelindustrie) expects industry sales to remain at least stable or even grow slightly. In a cautious scenario, the association expects the industry to move sideways. Such a cautious scenario includes the clear effects of an unregulated Brexit with a 25% drop in exports by the German furniture industry to the UK. This would result in all other export growth being equalised. In a positive scenario, overall market growth of 1.5% to 2% is possible if Brexit is regulated and a solid export increase of 3% to 5% can be achieved as a result. In any case, the industry environment is expected to remain very challenging. At the same time, the industry association assumes that the domestic market will remain stable against the backdrop of slightly positive consumer demand, rising net income and robust construction activity.

The weakness that emerged on the Central European MDF/HDF markets during the second half of 2018 is likely to continue into 2019. Continued price pressure on MDF and HDF producers is also expected. This applies to all segments of this market. Growth potential continues to exist in the market segment for very thin and highly refined MDF and HDF boards with thicknesses of up to 3 mm, on which the Homann Group is focusing, as a result of the ongoing trend towards lightweight construction in the furniture and door industry.

## 2. Future opportunities and risks

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

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

Earnings risks to the Group exist in connection with the possibility of increases in costs. In the sphere of energy policy, we expect the existing rules and subsidies for energy-intensive companies (the renewable energy levy) to remain in effect.

In the sphere of raw materials, fluctuations in the price of wood and other materials, such as glue, could result in higher costs. While the Group intends to pass on such price increases to customers, such increases may affect earnings at short notice, particularly if prices go up at short notice. Moreover, the Group's ability to increase prices will be affected by the competitive situation.

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

Financing risks exist in due to the possibility that the Group will be unable to meet financial covenants in the future, or that it will be unable to renew its credit lines upon expiration.

Moreover, the Polish sites are exposed to market risk due to the possibility of changes in exchange rates.

## 3. Outlook and strategic plans

All of the Group's plants displayed strong performance in 2018. The market for thin fibreboards continues to be stable in the core countries supplied by the Group. On this basis, the Group is planning moderate revenue growth for 2019 with an operating EBITDA margin at the same level.

Munich, April 11, 2019



Fritz Homann



## CONSOLIDATED BALANCE SHEET

of Homann Holzwerkstoffe GmbH, Munich,  
as of December 31, 2018

### ASSETS

	Item Comment	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
	6.a.			
1.	Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	2,802,570.32		3,385,185.50
2.	Advance payments made	0.00		57,561.52
			2,802,570.32	3,442,747.02
<b>II. Tangible assets</b>				
	6.a.			
1.	Properties, rights equivalent to real property and structures including structures on third-party properties	44,978,354.48		43,988,144.77
2.	Technical equipment and machinery	102,301,084.89		115,637,662.22
3.	Other property, plant and equipment	6,228,517.08		6,701,272.44
4.	Advance payments made and work in progress	8,386,613.98		3,884,371.62
			161,894,570.43	170,211,451.05
<b>III. Financial assets</b>				
	6.b.			
1.	Shares in affiliated companies	11,628.91		11,988.82
2.	Equity investments	607,324.50		782,324.50
			618,953.41	794,313.32
			165,316,094.16	174,448,511.39
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1.	Raw materials and supplies	21,801,196.10		19,489,920.49
2.	Unfinished goods	3,766,740.65		4,870,802.44
3.	Finished goods	9,385,839.43		8,415,683.42
4.	Advance payments made	270,572.79		166,890.01
			35,224,348.97	32,943,296.36
<b>II. Receivables and other assets</b>				
	6.c.			
1.	Trade receivables	1,520,887.89		1,999,031.22
2.	Receivables from affiliated companies	142,671.25		88,692.63
3.	Receivables from shareholders	14,067,633.46		16,215,993.79
4.	Other assets	17,711,683.96		15,683,184.99
			33,442,876.56	33,986,902.63
<b>III. Other securities</b>				
	6.d.		2,646,948.82	1,174,493.03
<b>IV. Cash holdings, bank deposits and cheques</b>				
			20,323,022.74	25,558,492.55
			91,637,197.09	93,663,184.57
<b>C. Accrued items</b>				
	6.c.		1,234,744.91	1,581,929.70
<b>D. Deferred tax assets</b>				
	6.e.		2,568,000.00	1,529,200.00
<b>E. Assets arising from the overfunding of pension obligations</b>				
	6.f.		368,975.62	335,422.05
			261,125,011.78	271,558,247.71



			<b>LIABILITIES</b>	
	Item Comment	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
<b>A. Equity capital</b>				
	6.g.			
<b>I. Subscribed capital</b>		25,000,000.00		25,000,000.00
<b>II. Capital reserves</b>		25,564.60		25,564.60
<b>III. Other profit reserves</b>		138,000.01		103,811.38
<b>IV. Equity difference from currency conversion</b>		-8,537,922.85		-7,285,171.92
<b>V. Consolidated unappropriated retained earnings</b>		17,913,220.21		8,801,333.40
<b>VI. Group earnings after taxes/consolidated net profit</b>		7,898,850.55		9,111,886.81
<b>VII. Profit distribution</b>		-4,000,000.00		0.00
			38,437,712.52	35,757,424.27
<b>B. Provisions</b>				
	6.h.			
1. Provisions for pensions and similar obligations		2,393,588.00		2,067,826.00
2. Provisions for taxes		1,349,622.37		1,000,654.19
3. Other provisions		3,983,853.47		3,880,166.00
			7,727,063.84	6,948,646.19
<b>C. Liabilities</b>				
	6.i.			
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		112,354,004.51		123,403,586.51
4. Trade payables		29,154,285.79		29,472,297.00
5. Liabilities to affiliated companies		15,848.60		18,062.70
6. Other liabilities		9,436,096.52		11,958,231.04
			214,960,235.42	228,852,177.25
			261,125,011.78	271,558,247.71

## CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich  
for the period from January 1, 2018 to December 31, 2018

	Item Comment	2018 EUR	2017 EUR
1. Revenues	7.a	269,268,242.45	256,881,728.36
2. Increase in inventory of finished and unfinished goods		1,303,573.51	2,255,304.96
3. Other own work capitalised		919,058.10	1,709,000.75
4. Other operating income	7.b	3,161,119.14	11,052,677.12
		<b>274,651,993.20</b>	<b>271,898,711.19</b>
5. Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-134,535,872.61	-132,787,423.04
b) Cost of purchased services		-20,775,276.19	-17,707,669.91
		<b>-155,311,148.80</b>	<b>-150,495,092.95</b>
<b>Gross profit</b>		<b>119,340,844.40</b>	<b>121,403,618.24</b>
6. Expenses for personnel	7.c		
a) Wages and salaries		-33,962,407.53	-32,631,306.14
b) Social security, pensions and other benefits		-6,637,047.45	-6,394,739.96
		<b>-40,599,454.98</b>	<b>-39,026,046.10</b>
7. Depreciation and amortisation of intangible and tangible fixed assets		-16,917,569.61	-16,875,106.52
8. Other operating expenses	7.d	-43,457,589.81	-44,660,008.65
<b>Operating result</b>		<b>18,366,230.00</b>	<b>20,842,456.97</b>
9. Income from investments		57,010.35	0.00
10. Other interest and similar income		1,368,481.22	1,077,030.99
11. Write-down of financial investments and investments classified as current assets		-4,910,967.42	-26,071.62
12. Interest and similar expenditure		-7,942,514.34	-11,749,440.64
<b>Financial result</b>	7.e	<b>-11,427,990.19</b>	<b>-10,698,481.27</b>
13. Income taxes	7.f	960,610.74	-1,032,088.89
<b>14. Earnings after taxes/consolidated net income</b>		<b>7,898,850.55</b>	<b>9,111,886.81</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Munich  
for the period from January 1, 2018 to December 31, 2018

	2018 kEUR	2017 kEUR
<b>Consolidated result</b>	7,899	9,112
+/- Depreciation of assets	16,918	16,875
-/+ Other non-cash expenses/income	-3,158	-4,947
-/+ Profit/loss from the disposal of fixed assets	235	-156
-/+ Increase/decrease in inventories	-3,817	-7,605
-/+ Increase/decrease in trade receivables	-460	-543
-/+ Increase/decrease in receivables from shareholders and affiliated companies	2,035	-2,775
-/+ Increase/decrease in other assets	-4,351	-118
+/- Increase/decrease in provisions	1,199	623
+/- Increase/decrease in trade payables	400	3,354
+/- Increase/decrease in liabilities to shareholders and affiliated companies	5,533	2
+/- Increase/decrease in other liabilities	-2,399	3,136
+/- Interest expenses/interest income	6,689	10,672
+/- Currency-related change in assets/liabilities	3,363	-1,486
+/- Income tax income/expenses	-961	1,032
<b>= Cash flow from operating activities</b>	<b>29,125</b>	<b>27,176</b>
+ Proceeds from the disposal of tangible assets/intangible assets	86	453
- Cash paid for investments in tangible assets/intangible assets	-13,856	-9,194
- Cash paid for additions to the basis for consolidation	0	-1,590
<b>= Cash flow from investing activities</b>	<b>-13,770</b>	<b>-10,331</b>
+ Cash received from raising borrowings	10,000	75,000
- Cash paid for the redemption of borrowings	-16,592	-19,311
- Repayments from follow-up financing of the bond	0	-40,000
- Distribution of profits/payouts to shareholders	-4,000	0
- Interest paid	-6,689	-10,672
- Corporate income and trade tax paid	961	-1,032
<b>= Cash out/inflow from financing activities</b>	<b>-16,320</b>	<b>3,985</b>
Change in cash and cash equivalents	-965	20,830
Change in cash funds from changes in group structure	-219	0
+ Cash and cash equivalents at the beginning of the period	-7,127	-27,957
<b>= Cash and cash equivalents at the end of the period</b>	<b>-8,311</b>	<b>-7,127</b>
<b>Composition of cash and cash equivalents</b>	<b>Dec, 31, 2018 kEUR</b>	<b>Dec, 31, 2017 kEUR</b>
Cash	20,323	25,559
Securities	792	260
Liabilities to banks agreed at short notice	-29,426	-32,946
	<b>-8,311</b>	<b>-7,127</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich  
for the period from January 1, 2018 to December 31, 2018

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Equity difference from currency conversion EUR	Group equity capital generated (retained earnings) EUR	Equity capital EUR
January 1, 2017	25,000,000	25,565	103,811	-10,119,104	8,801,333	23,811,605
Currency exchange differences	0	0	0	2,833,931	0	2,833,931
Consolidated net income	0	0	0	0	9,111,887	9,111,887
December 31, 2017/ 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
Currency exchange differences	0	0	0	-1,252,750	0	-1,252,750
Badwill	0	0	34,189	0	0	34,189
Consolidated net income	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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Homann Holzwerkstoffe GmbH, Munich,  
for the period from January 1, 2018 to December 31, 2018

### 1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of December 31, 2018 have been prepared in accordance with the requirements of the German Commercial Code (HGB) applicable to consolidated financial statements. The financial statements of consolidated companies were generally prepared in accordance with the requirements of the respective countries. For the purposes of the consolidated financial statements, the separate financial statements were converted pursuant to

sections 300, para. 2, and 308 HGB to uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organised according to the total cost accounting method (Gesamtkostenverfahren; section 275, para. 2 HGB), other taxes are shown under other operating expenses. HHW is entered in the Commercial Register of the Munich local court under HRB 240650 following the relocation of its registered office from Herzberg to Munich in 2018.

### 2. Consolidated companies

Aside from Homann Holzwerkstoffe GmbH, the following ten subsidiaries were included in the

consolidated financial statements as of December 31, 2018 as fully consolidated companies:

No. Company	Equity share	Held by	Equity	Net profit/loss
	%	No.	Dec. 31, 2018	2018
			kEUR	kEUR
1 Homann Holzwerkstoffe GmbH, Munich			25,753	12,491
2 HOMANIT Holding GmbH, Munich	100.00	1	64,917	10,796
3 Homanit GmbH & Co. KG, Losheim	100.00	2	34,165	7,526
4 Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	34	0
5 Homanit France SARL, Schiltigheim	100.00	3	24	1
6 Homanit Polska Sp. z o.o., Spolka Kommandytowa, Karlino	99.99 0.01	3 7	75,605	17,945
7 Homanit Polska Sp. z o.o., Karlino	100.00	3	688	113
8 Homatrans Sp. z o.o., Karlino	100.00	6	1,318	57
9 Homanit Krosno Odranskie Sp. z o.o., Krosno	100.00	2	-1,601	895
10 Homatech Polska Sp. z o.o., Karlino	100.00	6	236	5
11 Homanit International GmbH, Munich	100.00	1	262	-22

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

Homanit International GmbH was included in the consolidated financial statements for the first time as of January 1, 2018. This resulted in a capitalised

difference on the liabilities side of EUR 35 thousand. Comparability with the previous year's figures is not limited.

As of July 1, 2018, Homanit Building Materials GmbH & Co. KG was deconsolidated. The deconsolidation resulted in a profit of kEUR 699, which is reported under other operating income. Assets and liabilities of Homanit Building Materials GmbH & Co. KG are no longer included in the consolidated balance sheet as of December 31, 2018. Without the inclusion of HBM in the consolidated financial statements for the

previous year, total assets would have been 1.6% lower; property, plant and equipment, inventories and receivables/other assets would have been kEUR 4,014 lower. For the period from January 1 to June 30, 2018, the inclusion in the income statement resulted in a net loss of kEUR 2,631. The inclusion in the income statement for the previous year resulted in a net loss of kEUR 2,353.

### 3. Consolidation principles

Capital consolidation is performed by offsetting the carrying amount of investments in Group companies against the proportionate balance sheet equity at the time of initial inclusion (carrying value method). The 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 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 December 31, while income statements are generally translated at the average rate for the financial year. 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 recognized 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. Intangible assets are typically depreciated based on a useful life of 2-8 years.

**Tangible fixed assets** are measured at cost of purchase or manufacture less scheduled depreciation. The latter consists in part of the expenses incurred until the time the facilities reached operable condition, including debt interest accruing during the construction period. 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. The useful life of land, leasehold rights and buildings, including building on unowned land, is 10-75 years, the useful life of technical equipment and machinery and the useful life of fixtures, fittings and equipment is 2-15 years.

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

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

**Finished and unfinished goods** are measured at the cost of manufacture according to the strict lower or

cost of 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 time of acquisition using the exchange rate in effect on the transaction date. On the balance sheet date, foreign-currency receivables are measured using the spot exchange rate on that date, with due regard for the realisation and cost principles.

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

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

Special rental payments and advance payments of costs that concern the months after December 31 are 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 **assets arising from the overfunding of pension obligations**, please see the remarks in the notes to the balance sheet.

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

**Other provisions** take into account all discernible risks and contingent liabilities pursuant to section 253, para. 1, sentence 2 HGB and are recognized in the amount necessary for settlement based on reasonable commercial assessment, with due regard for the expected future changes in prices and costs. Provisions with 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 2.32%.

**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 consolidated balance sheet

## a) Fixed assets

Changes in consolidated fixed assets:

	Cost of purchase/manufacture						
	Date Jan. 1, 2018 EUR	Re- classifications EUR	Additions EUR	Change in consolidation basis EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2018 EUR
<b>I. Intangible assets</b>							
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	6,282,093.63	71,579.46	474,084.55	-840.13	-16,925.71	-21,462.78	6,788,529.02
2. Advance payments made	57,561.52	-57,561.52	0.00	0.00	0.00	0.00	0.00
	6,339,655.15	14,017.94	474,084.55	-840.13	-16,925.71	-21,462.78	6,788,529.02
<b>II. Tangible fixed assets</b>							
1. Properties, rights equivalent to real property and structures including structures on third-party properties	73,173,985.68	1,675,020.74	3,074,244.68	-60,201.31	-11,470.55	-1,501,783.57	76,349,795.67
2. Technical equipment and machinery	192,780,108.82	1,026,441.39	1,468,027.22	-1,388,533.79	-74,062.01	-4,952,988.51	188,858,993.12
3. Other property, plant and equipment	16,762,985.85	0.00	1,475,386.66	-75,280.69	-425,533.89	-218,290.08	17,519,267.85
4. Advance payments made and work in progress	3,884,371.62	-2,715,480.07	7,363,830.68	-19,813.56	-25,908.40	-100,386.29	8,386,613.98
	286,601,451.97	-14,017.94	13,381,489.24	-1,543,829.35	-536,974.85	-6,773,448.45	291,114,670.62
<b>III. Financial assets</b>							
1. Shares in affiliated companies	11,988.82	0.00	0.00	0.00	0.00	-359.91	11,628.91
2. Equity investments	782,324.50	0.00	0.00	0.00	-175,000.00	0.00	607,324.50
	794,313.32	0.00	0.00	0.00	-175,000.00	-359.91	618,953.41
	293,735,420.44	0.00	13,855,573.79	-1,544,669.48	-728,900.56	-6,795,271.14	298,522,153.05

Depreciation/impairments						Book value	
Date Jan. 1, 2018 EUR	Additions EUR	Change in consolidation basis EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2018 EUR	Date Dec. 31, 2018 EUR	Date Dec. 31, 2017 EUR
2,896,908.13	1,120,423.15	-808.13	-16,952.19	-13,612.26	3,985,958.70	2,802,570.32	3,385,185.50
0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,561.52
2,896,908.13	1,120,423.15	-808.13	-16,952.19	-13,612.26	3,985,958.70	2,802,570.32	3,442,747.02
29,185,840.91	2,571,608.12	-8,147.76	-6,229.41	-371,630.67	31,371,441.19	44,978,354.48	43,988,144.77
77,142,446.60	11,534,526.82	-345,278.51	-20,886.13	-1,752,900.55	86,557,908.23	102,301,084.89	115,637,662.22
10,061,713.41	1,691,011.52	-23,322.94	-363,841.18	-74,810.04	11,290,750.77	6,228,517.08	6,701,272.44
0.00	0.00	0.00	0.00	0.00	0.00	8,386,613.98	3,884,371.62
116,390,000.92	15,797,146.46	-376,749.21	-390,956.72	-2,199,341.26	129,220,100.19	161,894,570.43	170,211,451.05
0.00	0.00	0.00	0.00	0.00	0.00	11,628.91	11,988.82
0.00	0.00	0.00	0.00	0.00	0.00	607,324.50	782,324.50
0.00	0.00	0.00	0.00	0.00	0.00	618,953.41	794,313.32
119,286,909.05	16,917,569.61	-377,557.34	-407,908.91	-2,212,953.52	133,206,058.89	165,316,094.16	174,448,511.39

**b) Financial assets**

As of December 31, 2018, the shares in HBG Holz-Baustoff Beteiligungs-GmbH, Berga, and the shares in HOPE Investment sp.z.o.o. (formerly Homanit Poznan sp.z.o.o.) were recognised as **shares in affiliated companies**. These companies are not consolidated as they are of minor importance.

The **equity investments** relate 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 not consolidated as they are of minor importance.

**c) Receivables, other assets, prepaid expenses**

Residual terms of more than one year exist for receivables in the amount of kEUR 14,068, and other receivables in the amount kEUR 3,536 and deferred items in the amount of kEUR 106.

**Receivables from shareholders** involve the interest-bearing clearing accounts with VVS GmbH and Fritz Homann GmbH and mainly 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** include an investment in a limited partnership (kEUR 3,514; previous year: kEUR 3,514), tax refund claims amounting to kEUR 10,701 (previous year: kEUR 6,555) as well as receivables from factoring companies amounting to kEUR 2,518 (previous year: kEUR 3,035).

**Accrued items** primarily include the prepaid expenses from rental and leasing payments of kEUR 233 (previous year: kEUR 554) as well as insurance contributions for the time after December 31.

**d) Other securities**

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

	Dec. 31, 2018 kEUR	Dec. 31, 2017 kEUR
Corporate bond of Homann Holzwerkstoffe GmbH	1,856	915
Other fund shares	791	260
	2,647	1,175

**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 488 (previous year: kEUR 124), from losses carried forward in the amount of kEUR 2,704 (previous year: kEUR 1,566) and from the elimination of interim profits (sale of fixed assets and inventories) in the amount of kEUR 139 (previous year: kEUR 165). Deferred tax liabilities of kEUR 363 (previous year: kEUR 326) 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) Assets arising from the overfunding of pension obligations**

Please refer to the explanations under item 6.h.

**g) 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 December 31, 2018:

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

Other profit reserves resulted from the change of accounting rules implemented as a result of the German Accounting Modernisation Act (BilMoG) in the amount of EUR 22 thousand and from the differences on the liabilities side from capital consolidation in the amount of kEUR 116. Badwill 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. If the shares in these companies are sold, the differences on the liabilities side are reversed to increase profits.

The difference in equity resulting from currency translation decreased from kEUR –7,285 to kEUR –8,538 due to the development of the PLN to EUR.

By resolution of the shareholders, kEUR 4,000 of the parent company's expected net income for the year was distributed in December 2018, taking into account the payout block.

Sums in the amount of kEUR 385 (previous year: kEUR 334) 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). The distribution of dividends in excess of taxes owed is restricted by individual agreement.

**h) Provisions**

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

	Dec. 31, 2018
Interest rate at the beginning of the fiscal year	3.68%
Interest rate at the end of the fiscal year	3.21%
Anticipated wage and salary increases p.a.	0.00%
Expected pension increases p.a.	1.50%
Staff turnover p.a.	3.30%

As of December 31, 2018, an amount of kEUR 40 from the first-time adoption of the German BilMoG Act had not yet been recognised in pension provisions. This resulted in a difference within the meaning of section 253 para. 6 sentence 1 HGB of kEUR 340 i.e. the pension obligation would have to be increased by this amount if the average interest rate of the past seven years (2.32%) were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2018 as well as from previous years primarily as a result of tax audits.

**Other provisions** primarily involve obligations to employees (e.g. vacations, profit shares, over time, contributions to professional associations), warranty and bonus obligations to customers and imminent losses from pending transactions and contingent liabilities.

The liabilities resulting from domestic **early retirement arrangements** are backed by securities. These securities are offset against the underlying liabilities in accordance with section 246 para. 2 sentence 2



HGB. For recognition in the balance sheet, the liabilities in connection with early retirement arrangements, in the amount of kEUR 553, were netted out with plan assets at fair value, in the amount of kEUR 922. This resulted in a net **difference** of kEUR 369, which was recognised on the assets side of the balance sheet.

Securities are measured based on the strict lower of cost or market principle; securities which are not netted out (kEUR 791; previous year: kEUR 260) 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 are netted out with interest expenses from the compounding of early retirement provisions.

## i) Liabilities

**Liabilities** have the following maturity structure:

Dec. 31, 2018	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	total EUR
1. Bonds	0.00	60,000,000.00	0.00	60,000,000.00
2. Silent partnership	0.00	4,000,000.00	0.00	4,000,000.00
3. Liabilities to financial institutions	38,531,422.84	67,322,581.67	6,500,000.00	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	133,741,970.80	6,500,000.00	214,960,235.42

Dec. 31, 2017	up to 1 year EUR	1 to 5 years EUR	more than 5 years EUR	total EUR
1. Bonds	0.00	60,000,000.00	0.00	60,000,000.00
2. Silent partnership	0.00	4,000,000.00	0.00	4,000,000.00
3. Liabilities to financial institutions	41,114,829.90	58,241,740.37	24,047,016.24	123,403,586.51
4. Trade liabilities	29,472,297.00	0.00	0.00	29,472,297.00
5. Liabilities to affiliated companies	18,062.70	0.00	0.00	18,062.70
6. Other liabilities	8,331,866.95	3,626,364.09	0.00	11,958,231.04
	78,937,056.55	125,868,104.46	24,047,016.24	228,852,177.25

The **bond** includes 60,000 units of EUR 1,000.00 each. The interest rate is 5.25% p.a. Interest is payable on June 14 of each year, beginning on June 14, 2018. It was placed on the Frankfurt/Main stock exchange with a five-year term, maturing on June 14, 2022. The bond is unsecured and unsubordinated. Interest was recognised on an accrual basis by kEUR 1,715 as of December 31, 2018.

The **silent partnership** relates to a Saarland-based bank and has a term until September 30, 2022. A non-profit-related compensation of 5.0% is paid on kEUR 4,000, as well as an additional profit-related compensation of 2.0% is paid.

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

**Liabilities towards affiliated companies** are trade liabilities.

**Other liabilities** essentially comprise liabilities from the financing of fixed asset items (lease purchase and leasing agreements) of kEUR 3,943 (previous year: kEUR 6,510) and wages outstanding in the amount of kEUR 1,601 (previous year: kEUR 1,509) as well as accrued interest under the bond issue in the amount of kEUR 1,715 (previous year: kEUR 1,715). Taxes accounted for kEUR 523 (previous year: kEUR 457) and social insurance contributions for kEUR 1,082 (previous year: kEUR 1,082).

## 7. Notes to the income statement

### a) Revenues

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

	2018 kEUR	2017 kEUR
Germany	62,568	55,702
European Union	184,447	181,202
Rest	22,253	19,978
	269,268	256,882

### b) Other operating income

The main item recognised in **other operating income** were currency exchange gains of kEUR 1,669 (previous year: kEUR 9,590). Of the currency exchange gains in the 2017 financial year, kEUR 3,028 were realized and kEUR 6,562 were not realised. In the 2018 financial year, currency exchange gains were realised without exception.

### c) Expenses for personnel

**Expenses for personnel** in the amount of kEUR 40,599 (previous year: kEUR 39,026) include expenses for old-age provisions of kEUR 193

(previous year: kEUR 191). Social security contributions include expenses for allocations to pension provisions from the first-time adoption of the BilMOG Act in the amount of kEUR 7 (previous year: kEUR 7).

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

	2018	2017
White-collar employees	339	341
Blue-collar employees	1,159	1,196
Total	1,498	1,537

### d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 17,624 (previous year: kEUR 17,007), repair and maintenance costs as well as costs of performance in the amount of kEUR 8,520 (previous year: kEUR 7,070), administrative costs of kEUR 11,244 (previous year: kEUR 11,937) and currency exchange losses of kEUR 3,842 (previous year: kEUR 3,846). In the previous year, there were realised exchange losses in the amount of kEUR 3,846. In the 2018 financial year, there were unrealised currency exchange losses of kEUR 2,345 and unrealised currency exchange differences of kEUR 1,497.





In addition, the expenses for other taxes in the amount of kEUR 1,138 (previous year kEUR 1,110) and the costs of purchase and sale of securities and in the previous year from refinancing of the corporate bond (kEUR 96; previous year kEUR 1,690). In the previous year the cost of refinancing as well as the fees for credit brokerage were one-time charges according to sec. 285 No. 31 HGB. These costs amounted to kEUR 2,251 in the previous year.

#### e) Financial result

**Income from other securities and loans classified as financial assets** as well as **interest income** result, among other things, from the settlement accounts with the shareholders of the silent partnership in an enterprise as well as from securities and deposits. Write-downs of financial investments refer to **write-downs of investments** classified as current assets in the amount of kEUR 111 (previous year: kEUR 26) and write-downs on cash and cash equivalents in the amount of EUR 4,800 thousand, which were recorded at Olm GmbH & Co. KG (formerly Homanit Building Materials GmbH & Co. KG) in the 2018 financial year.

**Interest expenses** primarily include interest paid on the bond as well as interest on loans granted by the lending banks. The discounting of non-current

provisions resulted in expenses of kEUR 302 (previous year: kEUR 207). In the previous year in addition, the item according to sec. 285 No. 31 HGB include one-off costs of kEUR 817, paid to the creditors affected by the exchange offer of the refinanced corporate bond have made use of.

#### f) Income taxes

This item breaks down as follows:

	2018 kEUR	2017 kEUR
Deferred taxes on losses carried forward	1,188	-524
Deferred taxes from consolidation	-26	-26
Deferred taxes resulting from differences between the amounts recognised in the commercial balance sheet and amounts recognised in the tax balance sheet	-71	-148
Polish income tax	6	-6
Corporate income tax and trade tax from previous years	182	-242
Corporate income tax and trade tax in the financial year	-318	-86
	961	-1,032

Deferred tax assets were recognised for losses carried forward only where corresponding income is projected to be generated.

## 8. Contingent liabilities and other financial obligations

No contingent liabilities existed as of December 31, 2018.

As of the balance sheet date, other financial obligations amounted to kEUR 10,139 (previous year: kEUR 11,390). These obligations involve rental and leasing agreements. There is also a liability from plant orders amounting to kEUR 1,344 (previous year: kEUR 4,394).

An underwriting agreement exists with two credit institutions, as an associated agreement concerning financial instruments for hedging against interest rate

risks. The transaction is a micro-hedge. A negative market value of kEUR 294 existed as of December 31, 2018 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 17, 2024), since they are exposed to the same risk and are affected by the identical factors in the same way. Accordingly, the transaction is classified as an effective hedge.



## 9. Post-balance sheet events

No events of particular importance that had an extraordinary impact on the net assets, financial position

and earnings situation occurred after the reporting date.

## 10. Other information

### Group relationships

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

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

### Use of § 264b HGB (German Commercial Code)

The following trading partnerships within the meaning of Section 264a (1) HGB were included in the consolidated financial statements of Homann Holzwerkstoffe GmbH and make use of the exemption provided by Section 264b HGB with regard to the disclosure of their financial statements:

- Homanit GmbH & Co. KG, Losheim
- Homanit Building Materials GmbH & Co. KG, Berga

### Appropriation of earnings

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

### Cash flow statement

In order to improve the meaningfulness of the presentation of financing activities in the cash flow statement, the allocation of amounts due in the short term was standardized in the fiscal year. The presentation of the previous year was adjusted accordingly for comparability purposes.

### 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.

Pension payments of kEUR 10 were made to the widow of a former Managing Director in the fiscal year. The pension provision established for this purpose amounts to kEUR 22.

### Fees

The fee recognised as an expense in the financial year 2018 pursuant to section 314 para. 1 no. 9 HGB comprises audit services in the amount of kEUR 236 (previous year: kEUR 182), tax advice services in the amount of kEUR 0 (previous year: kEUR 40).

Munich, April 11, 2019



Fritz Homann



## INDEPENDENT AUDITORS' REPORT

To Homann Holzwerkstoffe GmbH, Munich

### Audit opinions

We have audited the consolidated financial statements of Homann Holzwerkstoffe GmbH, Munich, and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cashflow statement for the fiscal year from January 1, 2018 to December 31, 2018, and the notes to the consolidated financial statements, including a description of the accounting and valuation principles used. In addition, we have audited the group management report of Homann Holzwerkstoffe GmbH, Munich, for the fiscal year from January 1, 2018 to December 31, 2018.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with German commercial law and give a true and fair view of the asset and financial position of the Group as of December 31, 2018 and of its earnings performance for the fiscal year from January 1, 2018 to December 31, 2018 in accordance with German principles of proper accounting and
- the group management report provides a suitable understanding of the Group's position as a whole. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections regarding the correctness of the consolidated financial statements and the group management report.

### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our auditors report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

### Management's Responsibility for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with German commercial law and for the presentation of the asset and financial position and earnings performance of the Group in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the enterprise, if relevant. In addition, they are responsible for accounting for the continuing operations of the company in accordance with the principles of proper accounting, unless otherwise required by law or fact.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the group management report.

#### **Responsibility of the auditor for the audit of the consolidated financial statements and the group management report**

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or not, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion which includes our audit opinion on the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise due judgement and maintain a critical attitude. In addition

- we identify and assess the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the group management report, plan and perform the audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to form the basis of our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- we understand the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the group management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of the accounting policies used by management and the reasonableness of the estimates made by management and related disclosures.

- we draw conclusions about the appropriateness of the accounting policies adopted by the legal representatives for the continuation of the business and, on the basis of the audit evidence obtained, whether there is a material uncertainty about the events or circumstances that could give rise to significant doubts about the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could lead to the Group being unable to continue as a going concern.
  - we express an opinion on the consistency of the group management report with the consolidated financial statements, its legal compliance and the group management report.
  - we perform audit procedures on the forward-looking statements made by management in the group management report. On the basis of sufficient and suitable audit evidence, we hereby in particular perform the significant assumptions based on the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.
- Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system, that we identify during our audit.
- Viersen, April 11, 2019
- Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft
- |                       |                   |
|-----------------------|-------------------|
| Hans-Hermann Nothofer | Peter Kaldenbach  |
| Wirtschaftsprüfer     | Wirtschaftsprüfer |
- we express an opinion on the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and on whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the asset and financial position and earnings performance of the Group in accordance with German principles of proper accounting.
  - we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the instruction, monitoring and accomplishment of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

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