Annual Report 2023
Homann Holzwerkstoffe GmbH

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Homann Holzwerkstoffe GmbH

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FOREWORD

Dear Reader,

We look back on an eventful year 2023, characterized by geopolitical crises, a delayed economic recovery after the coronavirus pandemic and a difficult industry environment, which presented our Group with a number of challenges. The downward trend in the Central European HDF/MDF market, which began last year, led to further price reductions, resulting in sales revenues in the past financial year below the record levels of the year 2022. This applied to both domestic and international revenues, which accounted for over 75% of total revenues in the reporting period.

In the past financial year, we have continued to pursue our strategic development in a consistent manner. In Germany, we decided to invest in the competitiveness and productivity of our Losheim site despite the difficult economic environment. At the same time, we are pressing ahead with our international expansion. Completion of the plant at our joint venture in Sadat City, Egypt, is progressing well. Commissioning is planned for the third quarter of 2024. In Lithuania, we announced the postponement of the start of production at the fourth Homann Holzwerkstoffe plant near the capital of Vilnius. The start-up phase had originally been completed as planned in September 2023. However, the start of production scheduled for the end of 2023 was delayed by technical and approval-related issues, which is why we decided to temporarily shut down the plant in Lithuania in late March.

The progress made in the ongoing implementation of our sustainability strategy is documented in the Group's third Sustainability Report. An important project is the construction of a water treatment plant in Krosno Odrzanskie, Poland, which is scheduled to come on stream before the end of the year. By treating water directly on site, we reduce groundwater extraction and make additional use of our rainwater.

Overall, we are satisfied with our operating performance in the past year 2023. Adjusted operating EBITDA amounted to EUR 55.2 million in 2023 (previous year: EUR 75.0 million), which reflects our planning in a challenging market environment. For the current financial year 2024, we expect EBITDA to remain stable on slightly declining sales.

Finally, we would like to thank all employees for their commitment and their flexibility. They are the backbone of our Group. Our thanks also go to our business partners, customers and investors for their trust and their support in the development of our company.

Munich, April 23, 2024

Fritz Homann Gunnar Halbig

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

Homann Holzwerkstoffe GmbH, Munich
for the Financial Year 2023

A. Fundamentals of the Group

Group structure and business model

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

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

The commissioning phase of the fourth Homann Holzwerkstoffe plant in Lithuania, near the capital Vilnius, was completed as planned in September 2023. However, the start of production scheduled for the end of 2023 was delayed due to technical and approval-related issues. Consequently, the company decided to postpone the start of the production at the new plant in Lithuania until the legal approval requirements are fulfilled.

Construction work at our joint venture holding in Egypt is progressing steadily. Commissioning is planned for the third quarter of 2024.

B. Economic report

1. Economic environment

Macroeconomic situation

According to the latest forecast of the International Monetary Fund (*IMF: World Economic Outlook, January 2024*), global economic growth declined for the second consecutive year in 2023; at 3.1%, it was slightly lower than in the previous year (2022: 3.5%). The IMF states that the world economy's nascent recovery from the coronavirus pandemic was slowed not only by the long-term implications of the pandemic, Russia's invasion of Ukraine, the situation in the Middle East and the increasing geo-economic fragmentation but also by economic factors. The latter include the effects of the monetary policy measures taken by central banks to reduce inflation, which, according to the IMF, fell faster than expected from last year's peak of 8.7% to 6.8% in the reporting period. According to current IMF estimates, the gross domestic product (GDP) of industrialized countries declined from 2.6% in 2022 to 1.6% in the reporting period. At 4.1%, economic growth in the emerging and developing countries was on a par with the previous year. While economic growth in the United States and several major emerging and developing economies was surprisingly dynamic in the second half of 2023, eurozone countries grew by only 0.5% in 2023 (2022: 3.4%) due to weak consumer sentiment and declining momentum in the manufacturing sector as well as weak business investment.

Germany's economic output declined by 0.3% (2022: +1.8%) during the same period according to the IMF. According to the Ifo Institute for Economic Research, the German economy failed to recover in spite of declining inflation and rising wages as private consumption was curbed by a higher propensity to save and global trade did not provide any stimulation. Government investment, especially in defence equipment, provided the only support but was unable to reverse the economic slowdown since the beginning of the reporting year (*ifo Economic Forecast Winter 2023*).

For Poland, where Homann Holzwerkstoffe has two production plants, the IMF states a growth rate of 0.6% for 2023 (2022: 5.3%) (*IMF: World Economic Outlook, January 2024*).

In Lithuania, were the fourth production plant of Homann Holzwerkstoffe Group was completed in the third quarter of 2023, economic output declined in the reporting period. According to the IMF, Lithuania's GDP decreased by 0.2% in 2023, after having grown by 1.9% in 2022 (*IMF: World Economic Outlook, October 2023*).

Sector developments

Sales revenues of the German furniture industry declined by 4.3% from EUR 18.8 billion to EUR 18.0 billion in the year 2023 as a whole. According to the Association of the German Furniture Industry (VDM), the fall in sales was mainly due to consumer reluctance to spend, which in turn was caused by a combination of inflation, a slump in construction activity, political uncertainty and geopolitical crises. In the first half of 2023, revenues were only 0.2% below the prior year level, which was due, among other things, to order backlogs, price increases and statistical one-time effects. In the second half of the year, however, revenues dropped sharply by 8.4%. In December 2023, revenues of Germany's furniture manufacturers were down by as much as 9.4% on the previous year, at EUR 1.25 billion (*VDM: Press release dated February 19, 2024*).

Consumer-oriented segments of the furniture industry were particularly affected by the drop in sales revenues in the reporting period. The "miscellaneous furniture" segment, which includes living room, dining room and bedroom furniture, recorded the highest losses, with revenues in this category down by 12.6% on the previous year to EUR 5.6 billion. By contrast, the kitchen furniture segment recorded only a slight decline of -0.3% to EUR 6.2 billion. Office furniture manufacturers (+2.6% to EUR 2.3 billion) and manufacturers of shop and other contract furniture (+3.3% to EUR 2.2 billion) were the only ones to grow their revenues (*VDM press release dated February 19, 2024*).

While both the domestic and the foreign market recorded strong growth in the previous year, both markets declined in the reporting period, by -4.6% and -3.6%, respectively (*VDM: Press release dated February 19, 2024*).

The downward trend in the Central European market for MDF/HDF, which had begun in Q4 2021, continued in the reporting period. However, there were only minor price corrections in Q4 2023, which is why the EUWID industry information service believes that MDF/HDF prices are gradually beginning to stabilize (*EUWID: No. 3/2024*). At the same time, the decline in output in the MDF/HDF industry continued unabated, resulting in another year-on-year decline in production volumes. According to EUWID and with reference to the Federal Statistical Office, the production of HDF boards intended for sale fell significantly compared to the previous year, particularly in the second half of the year, namely by -29.3% to 344,985 cubic metres in the third quarter and by -36.7% to 305,507 cubic metres in the fourth quarter (*EUWID: No. 1/2024*).

As in the previous year, energy prices were affected by the war and crisis situation. Over the course of the year, prices eased between March and December 2023, with monthly energy inflation rates significantly lower than at the beginning of the year, and even pointing downwards in October and November 2023 (*Federal Statistical Office (Destatis): Press release dated January 16, 2024*). The price of natural gas on the Frankfurt Stock Exchange also dropped from its annual high of EUR 4.00 per MMBtu (million British thermal unit) at the beginning of the year to EUR 2.52 at the end of the year. This represents a decline by 37.06% (*Frankfurt Stock Exchange: natural gas price, closing prices*).

2. Financial and non-financial performance indicators

The Group's key financial performance indicators are revenues and earnings before interest, taxes, depreciation and amortization (EBITDA). They reflect the success of the Group's business activities. In the financial year, Homann Holzwerkstoffe Group generated revenues of EUR 354.5 million (previous year: EUR 394.9 million). Reported EBITDA amounted to EUR 62.9 million (previous year: EUR 74.9 million), while EBITDA adjusted for exchange rate fluctuations stood at EUR 55.2 million (previous year: EUR 75.0 million). In relation to total output, this corresponds to an EBITDA margin of 15.7% (previous year: 18.3%).

The facts presented below are important for understanding the business trend and the situation of the Group as a whole. In accordance with section 315 para. 3 of the German Commercial Code (HGB), non-financial performance indicators are not presented as they have been of minor importance for the Group so far. Since the publication of Homann Holzwerkstoffe Group's first Sustainability Report in 2022, such a report has been published annually in the first half of the year for the past financial year. The Sustainability Report for the year 2023 will be published in May 2024.

3. Business trend and situation

Earnings position

The downward trend in demand for MDF/HDF continued in the reporting period and led to further price reductions. Accordingly, revenues in the past fiscal year were down by EUR 40.4 million on the previous year to EUR 354.5 million. By contrast, the sales volume showed a robust trend and was only slightly below the prior year level. While domestic revenues decreased by 12.6% from EUR 94.6 million to EUR 82.6 million, foreign revenues declined by around 9.5% from EUR 300.3 million in the previous year to EUR 271.9 million in the reporting period.

The strong increase in other operating income from 10.1 million in the previous year to EUR 23.5 million in the reporting period is essentially attributable to higher exchange gains, which amounted to EUR 14.8 million in the reporting year (previous year: EUR 6.1 million). This item also includes income from trading in air pollution permits and the sale of fixed assets in the amount of EUR 2.9 million (previous year: 1.4 million).

The price trend for the Group's most important raw materials eased in the reporting year. Lower prices of wood, glue and energy were the main reason for the decline in the cost of materials to total output ratio from 59.4% in the previous year to 55.4% in the past financial year. By contrast, the personnel expense ratio rose to 16.6% (previous year: 12.5%). This was due not only to the reduced revenue base but above all to inflation-related wage and salary increases. At 1,590, the average number of employees was only slightly higher than in the previous year (1,563). The increase in the workforce in Lithuania is offset by the headcount reduction resulting from automation projects at the Polish sites.

Other operating expenses increased from EUR 50.1 million to EUR 58.8 million. Besides freight and selling expenses as well as administrative expenses, this essentially includes expenses from exchange rate changes of EUR 7.0 million (previous year: EUR 6.2 million). The increase in total other operating expenses is mainly due to higher repair and maintenance costs in the amount of EUR 13.7 million (previous year: EUR 8.0 million).

The Group's reported EBITDA totalled EUR 62.9 million (previous year: EUR 74.9 million). The decline was essentially due to lower revenues and higher personnel expenses.

Adjusted for one-time effects from exchange rate fluctuations, operating EBITDA amounted to EUR 55.2 million (previous year: EUR 75.0 million). This means that the Group was essentially able to reach its own targets in what was a challenging market environment.

The item interest and similar expenditure essentially includes interest expenses for bank loans and the corporate bond. Compared to the previous year, interest expenses rose by EUR 5.7 million. This increase is mainly due to higher financial liabilities related to the completion of the plant in Lithuania.

Expenses from investments in associated companies reduced the financial result by EUR -2.4 million (previous year: EUR -1.7 million).

At the bottom line, a consolidated net profit of EUR 23.7 million (previous year: EUR 44.6 million) was generated.

In the last Annual Report, an increase in revenues and a decline in EBITDA had been projected for the financial year 2023. As outlined in the half-year report, the challenging market environment and the resulting pressure on prices made it impossible to grow revenues. However, the Group was able to fulfil expectations with regard to EBITDA.

Assets position

Total assets increased noticeably by EUR 84.8 million from EUR 493.2 million in the previous year to EUR 578.0 million. Besides other effects, this is primarily attributable to investments in property, plant and equipment.

In the financial year, an amount of EUR 114.5 million was invested in fixed assets (previous year: EUR 132.2 million). The largest part of these investments is related to the construction of the new plant in Lithuania. Taking into account depreciation/amortization, asset disposals and exchange differences, fixed assets increased by a total of EUR 104.9 million from EUR 347.1 million to EUR 452.0 million.

Inventories totalled EUR 62.9 million as of the balance sheet date, down EUR 3.0 million on the prior year reporting date. The decline was due to much lower inventories of finished goods, which were reduced from EUR 15.9 million to EUR 8.2 million. This was offset by the construction of a timber warehouse at the new site in Lithuania, which is the main reason for higher inventories of raw materials and supplies of EUR 44.7 million (previous year: EUR 42.9 million) as well as higher inventories of unfinished goods of EUR 9.7 million (previous year: EUR 6.9 million).

Receivables and other assets declined by EUR 8.5 million in the reporting period and totalled EUR 11.8 million on the reporting date. The decline is mainly attributable to significantly lower trade receivables. In the previous year, this item included receivables from a leasing company relating to a sale-and-lease-back transaction.

Equity increased further to EUR 179.7 million (previous year: EUR 150.0 million) mainly due to the clearly positive consolidated result as well as to the reduction in the negative difference in equity resulting from currency translation. As a result, the equity ratio improved to 31.1% (previous year: 30.4%) despite the significant increase in total assets. The difference in equity resulting from currency translation is almost exclusively attributable to translation differences to the Polish zloty for the Polish production sites. As the plants generate sustainable positive results in euro, we consider this difference recognized in equity as a currently irrelevant valuation result. For the analysis of the change in the equity ratio, equity is therefore adjusted for this item. This adjusted equity ratio stood at 32.2% as at the balance sheet date (previous year: 32.6%).

At EUR 16.3 million, the special item was EUR 12.7 million higher than on the prior year reporting date. During the reporting year, the Group received further grants to promote investment and create permanent jobs.

At EUR 15.4 million, provisions were slightly higher than on the prior year reporting date (EUR 14.5 million), while the increase in liabilities was more pronounced, rising from EUR 324.1 million in the previous year to EUR 365.7 million on the balance sheet date.

Liabilities to banks increased most strongly, rising from EUR 183.6 million in the previous year to EUR 225.6 million. The term loan arranged to finance the construction measures in Lithuania was the main reason for this increase. At the same time, scheduled repayments reduced the financing balance. By contrast, trade payables declined by EUR 3.4 million and totalled EUR 53.2 million as of the balance sheet date. They also include liabilities to machine suppliers for the plant in Lithuania. Of the existing current credit lines of EUR 54.6 million, an amount of EUR 12.3 million was utilized.

Financial position

Cash flow from operating activities amounted to EUR 56.4 million in the financial year 2023 (previous year: EUR 58.2 million). This was offset by cash outflows from investing activities in the amount of EUR 97.5 million (previous year: EUR 134.3 million) and net cash inflows from financing activities of EUR 36.1 million (previous year: EUR 43.3 million). Investments include both the completion of the new plant in Lithuania and capital expenditures in the existing plants. Cash inflows from new borrowings in the total amount of EUR 71.0 million were offset by repayments and interest paid in the amount of EUR 34.9 million.

As of December 31, 2023, the company had liquid funds and free securities in the amount of EUR 48.6 million (previous year: EUR 56.5 million). In accordance with DRS 21, short-term liabilities to banks amounting to EUR 12.3 million (previous year: EUR 14.3 million) were included in cash and cash equivalents. This results in cash and cash equivalents of EUR 36.3 million (previous year: EUR 42.1 million).

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

C. Forecast, opportunity and risk report

1. Future developments

Macroeconomic developments

In its latest forecast (*IMF: World Economic Outlook, January 2024*), the IMF estimates that the world economy will grow by 3.1% in the current year as a whole. This is 0.2 percentage points above the October 2023 forecast. This adjustment reflects the resilience of the US and several major emerging and developing economies, as well as fiscal support in China. The IMF experts also assume that high interest rates aimed at combating inflation and a reduction in fiscal support in view of the high level of debt will weigh on growth in 2024. As in the previous year, projected growth is below the historical average (2000-2019) of 3.8%.

According to the IMF's latest forecast, the industrialized countries will grow by only 1.5% in 2024 compared to the previous year. In the emerging and developing countries, GDP is expected to grow by 4.1%, which corresponds to the estimated growth for 2023. Economic growth of 0.9% is projected for the euro area, while the IMF expects Germany's GDP to increase by 0.5% in 2024. A growth rate of 2.8% is expected for Poland, while the Lithuanian economy will grow by 2.7% according to the IMF's October 2023 estimate (*IMF: World Economic Outlook, October 2023*).

Sector developments

The latest Statista Furniture Report assumes sales revenues of about EUR 700.4 billion for the global furniture market for the full year 2024, while a market volume of EUR 854.5 billion is expected for 2028 – an annual growth rate of around 5.1%. According to this estimate, living room furniture accounts for the highest market share in 2024, while the USA is expected to achieve the highest sales revenues in regional terms. Meanwhile, the German furniture industry is experiencing growing demand for sustainable and environmentally friendly products (*Statista Market Insights 2024)*.

In its latest forecast for the full year 2024, the Association of the German Furniture Industry assumes that the market environment will remain challenging and states that the order situation at the beginning of the year was still tight. Besides the generally weak consumer climate, this is mainly due to the stagnation in housing construction, which, according to the VDM, urgently requires political support. The decline in inflation and the prospect of the European Central Bank cutting interest rates in the second half of the year are giving cause for cautious optimism (*VDM: Press release dated February 19, 2024*).

In the course of 2023, the Central European MDF/HDF market continued to face declining demand and, consequently, falling prices. Only towards the end of the year and in January 2024 did prices stabilise for the first time in almost two years. However, demand for MDF/HDF products, from both industrial and trade customers, is at a consistently low level, with no signs of a general upturn in the coming months. According to EUWID data, however, an upward trend in trade prices is discernible, although price increases appear realistic only once demand picks up (*EUWID, issue 3/2024*).

2. Future opportunities and risks

Opportunities arise from the trend towards lightweight construction in the furniture industry and the resulting demand for the Group's products. As a result of the constant replacement and rationalization investments, the production facilities are state-of-the-art.

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

At the beginning of 2023, there were slight signs of a recovery on the energy markets, especially in the gas supply, which the Bundesnetzagentur considered to be stable (as at August 10, 2023). According to the latest information from Handelsblatt for 2024 (as of February 7, 2024), wholesale electricity prices remain at a high level, but have fallen noticeably in recent months. Despite the latest price cuts, electricity companies are forecasting a doubling of electricity and gas prices in the medium term, supported by rising grid fees and the discontinuation of planned federal subsidies. Although wholesale prices have declined, the forecast of rising tariffs in the medium term remains unchanged, which might also lead to higher costs for the Homann Holzwerkstoffe Group.

Volatility in the price of wood and other raw materials such as glue could result in higher costs for the Group. The ability to enforce price increases to offset potential cost increases is influenced by demand and the competitive situation and cannot be estimated with sufficient certainty at this point in time.

While there were signs of an economic recovery after the coronavirus pandemic, this is currently being prevented by ongoing factors of uncertainty such as the Russia-Ukraine war, the situation in the Middle East, potentially negative energy price developments and the effects of monetary tightening aimed at reducing inflation. Moreover, there may be renewed material shortages in the future, although the situation has eased noticeably compared to the previous years (*Ifo Institute: Press release dated February 2, 2024*).

With regard to personnel, the Group has long-term relationships with qualified employees. Risks may arise if the Group is unable to find qualified employees to replace departing specialists or to fill newly created jobs, or if costs increase due to the shortage of skilled workers.

Financing risks exist in the event that the Group is unable to meet financial covenants in the future, or that it is unable to renew its credit lines upon expiration.

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

In view of the delayed start of production at the new plant in Lithuania, there is a risk of potential revenue and earnings losses as well as of potentially adverse effects on the market presence and the competitiveness of the Group.

3. Outlook and strategic plans

During the reporting year, the MDF/HDF market was characterized by a steady decline in demand, which resulted in pressure on prices. Even though prices began to stabilize at the beginning of the new year, we believe that achievable selling prices will remain below the prior year level on an annual average. Together with the delayed start of production in Lithuania, this makes us assume that revenues will not quite reach the previous year's level.

We project a stable EBITDA trend for the new financial year and believe that the shortfall in earnings from the Lithuanian plant will be offset by the existing plants.

Munich, April 23, 2024

Fritz Homann

Gunnar Halbig

CONSOLIDATED BALANCE SHEET

Homann Holzwerkstoffe GmbH, Munich
as of December 31, 2023

ASSETS

	Notes item	Dec. 31, 2023 EUR	Dec. 31, 2022 EUR
A. Fixed assets			
I. Intangible assets	6.a.		
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets		617,030.37	642,122.31
2. Advance payments made		128,859.40	89,343.40
		745,889.77	**731,465.71**
II. Tangible assets	6.a.		
1. Properties, rights equivalent to real property and structures including structures on third-party properties		63,646,133.08	54,809,825.78
2. Technical equipment and machinery		114,319,033.76	99,362,780.27
3. Other property, plant and equipment		17,225,985.44	17,044,225.13
4. Advance payments made and work in progress		246,369,145.13	162,779,791.03
		441,560,297.41	**333,996,622.21**
III. Financial assets	6.a.		
Shares in associated companies		9,656,708.00	12,407,417.00
		451,962,895.18	**347,135,504.92**
B. Current assets			
I. Inventories			
1. Raw materials and supplies		44,705,811.84	42,925,036.43
2. Unfinished goods		9,711,485.58	6,878,367.71
3. Finished goods and goods for resale		8,200,547.77	15,921,052.83
4. Advance payments made		302,021.05	147,232.96
		62,919,866.24	**65,871,689.93**
II. Receivables and other assets	6.b.		
1. Trade receivables		608,971.88	5,891,063.88
2. Other assets		11,193,772.99	14,442,252.36
		11,802,744.87	**20,333,316.24**
III. Investments classified as current assets	6.c.	3,745,777.73	5,928,363.81
IV. Cash holdings, bank deposits and cheques		44,895,271.17	50,533,438.92
		123,363,660.01	**142,666,808.90**
C. Accrued and deferred items	6.b.	2,695,255.52	3,400,174.26
		578,021,810.71	**493,202,488.08**

LIABILITIES

	Notes item	Dec. 31, 2023 EUR	Dec. 31, 2022 EUR
A. Equity	6.d.		
I. Subscribed capital		25,000,000.00	25,000,000.00
II. Capital reserves		25,564.60	25,564.60
III. Other profit reserves		214,613.17	214,613.17
IV. Equity difference from currency conversion		-9,798,129.63	-15,790,081.41
V. Consolidated retained earnings		164,226,214.86	140,520,929.88
		179,668,263.00	**149,971,026.24**
B. Special item	6.e.	16,273,564.16	3,589,015.52
C. Provisions	6.f.		
1. Provisions for pensions and similar obligations		4,044,142.00	3,848,114.00
2. Provisions for taxes		4,858,469.00	4,617,196.00
3. Other provisions		6,472,743.57	6,063,194.23
		15,375,354.57	**14,528,504.23**
D. Liabilities	6.g.		
1. Bonds		78,000,000.00	78,000,000.00
2. Advance payments received		225,571,804.10	183,594,385.07
3. Liabilities to financial institutions		571,934.19	100,000.00
4. Trade payables		53,220,935.09	56,561,288.35
5. Other liabilities		8,327,363.30	5,833,568.59
		365,692,036.68	**324,089,242.01**
E. Accrued and deferred items		635,392.30	602,423.08
F. Deferred tax liabilities	6.h.	377,200.00	422,277.00
		578,021,810.71	**493,202,488.08**

CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2023 to December 31, 2023

	Notes item	2023 EUR	2022 EUR
1. Revenues	7.a.	354,501,885,28	394,866,885.55
2. Reduction/increase in inventory of finished and unfinished goods		-4,915,427.10	13,843,676.05
3. Other own work capitalized		1,708,226.03	836,022.21
Total output		**351,294,684.21**	**409,546,583.81**
4. Other operating income	7.b.	23,497,431.65	10,101,342.36
5. Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-163,851,034.11	-214,830,042.69
b) Cost of purchased services		-30,849,790.45	-28,493,330.19
		-194,700,824.56	-243,323,372.88
6. Expenses for personnel	7.c.		
a) Wages and salaries		-49,503,664.04	-43,149,599.18
b) Social security, pensions and other benefits		-8,830,262.61	-8,133,484.41
		-58,333,926.65	-51,283,083.59
7. Depreciation and amortization of intangible and tangible fixed assets		-18,825,949,64	-16,834,220,56
8. Other operating expenses	7.d.	-58,822,743,45	-50,147,333,75
Operating result		**44,108,671.56**	**58,059,915.39**
9. Expenses from shares in associated companies		-2,371,525.00	-1,663,532.59
10. Other interest and similar income		833,971.68	690,371.46
11. Write-down of investments classified as current assets		-5,946.67	-1,078,607.12
12. Interest and similar expenditure		-15,163,916.01	-9,419,326.43
Financial result	7.e.	**-16,707,416.00**	**-11,471,094.68**
13. Income taxes	7.f.	-2,200,272.05	-2,022,510.41
Earnings after taxes		**25,200,983.51**	**44,566,310.30**
14. Other taxes		-1,495,698.53	0.00
15. Consolidated net income		**23,705,284.98**	**44,566,310.30**

CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2023 to December 31, 2023

	2023 kEUR	2022 kEUR
Consolidated net income	**23,705**	**44,566**
Depreciation of assets	18,826	16,834
Profit/loss from the disposal of fixed assets	-542	302
Other non-cash expenses/income	670	1,514
Increase/decrease in inventories	2,952	-29,748
Increase/decrease in trade receivables	5,282	-2,901
Increase/decrease in other assets	3,954	3,119
Increase/decrease in provisions	409	-4,122
Increase/decrease in trade payables	-3,340	21,044
Increase/decrease in other liabilities	2,909	-101
Income tax expenses/income	2,200	2,023
Income tax payments	-1,619	-1,688
Interest expenses / interest income	7,092	6,394
Currency-related change in assets/liabilities	-6,067	938
Cash flow from operating activities	**56,431**	**58,174**
Interest received	834	690
Proceeds from the disposal of fixed assets	3,478	7,777
Proceeds from investment grants	12,685	3,589
Cash paid for investments in fixed assets	-114,531	-132,176
Payments to acquire long-term financial assets	0	-14,214
Cash flow from investing activities	**-97,534**	**-134,334**
Cash received from raising borrowings	71,004	71,798
Cash paid for the redemption of borrowings	-27,006	-21,427
Interest paid	-7,926	-7,084
Cash flow from financing activities	**36,072**	**43,287**
Change in cash and cash equivalents	-5,031	-32,873
Change in cash and cash equivalents from currency conversion	-770	647
Cash and cash equivalents at the beginning of the period	42,113	74,339
Cash and cash equivalents at the end of the period	**36,312**	**42,113**

Composition of cash and cash equivalents

	Dec. 31, 2023 kEUR	Dec. 31, 2022 kEUR
Cash	44,895	50,534
Investments classified as current assets	3,746	5,928
Liabilities to banks agreed at short notice	-12,329	-14,349
	36,312	**42,113**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Munich
for the period from January 1, 2022 to December 31, 2023

	Subscribed capital	Capital reserves	Other profit reserves	Equity difference from currency conversion	Group equity capital generated (retained earnings)	Equity
	EUR	EUR	EUR	EUR	EUR	EUR
January 1, 2022	25,000,000.00	25,564.60	214,613.17	-13,931,513.73	95,954,619.58	107,263,283.62
Currency exchange differences	0.00	0.00	0.00	-1,858,567.68	0.00	-1,858,567.68
Consolidated net income	0.00	0.00	0.00	0.00	44,566,310.30	44,566,310.30
December 31, 2022	25,000,000.00	25,564.60	214,613.17	-15,790,081.41	140,520,929.88	149,971,026.24
Currency exchange differences	0.00	0.00	0.00	5,991,951.78	0.00	5,991,951.78
Consolidated net income	0.00	0.00	0.00	0.00	23,705,284.98	23,705,284.98
December 31, 2023	25,000,000.00	25,564.60	214,613.17	-9,798,129.63	164,226,214.86	179,668,263.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Homann Holzwerkstoffe GmbH, München
for the financial year 2023

1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) as of December 31, 2023 have been prepared in accordance with the requirements of the German Commercial Code (HGB) applicable to consolidated financial statements. The financial statements of consolidated companies were generally prepared in accordance with the requirements of the respective countries. For the purposes of the consolidated financial statements, the separate financial statements were converted pursuant to sections 300 para. 2 and 308 HGB to uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organized according to the total cost accounting method (Gesamtkostenverfahren; section 275 para. 2 HGB), other taxes are shown under other operating expenses.

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

2. Consolidated companies

a) Fully consolidated entities

Aside from Homann Holzwerkstoffe GmbH, the following eleven subsidiaries were included in the consolidated financial statements as of December 31, 2023 as fully consolidated companies:

No.	Company	Equity share	Held by	Equity Dec. 31, 2023	Net profit/loss
		%	No.	kEUR	kEUR
1	Homann Holzwerkstoffe GmbH, Munich			91,275	34,088
2	HOMANIT Holding GmbH, Munich	100.00	1	138,902	42,249
3	HOMANIT GmbH & Co. KG, Losheim	100.00	2	19,552	8,276
4	HOMANIT Verwaltungsgesellschaft mbH, Losheim	100.00	3	42	-1
5	Homanit France SARL, Schiltigheim	100.00	3	31	1
6	Homanit Polska Sp. z o.o. i Spolka, sp. k.,	99.00	2		
	Karlino	1.00	7	87,978	29,433
7	Homanit Polska Sp. z o.o., Karlino	100.00	2	2,166	744
8	Homatrans Sp. z o.o., Karlino	100,00	6	1,528	181
9	Homanit Krosno Odrzanskie Sp. z o.o., Krosno	100.00	2	62,067	9,692
10	Homatech Polska Sp. z o.o., Karlino	100.00	6	451	90
11	UAB Homanit Lietuva, Pagiriu	100.00	2	55,804	-13,757
12	HOPE Investment Sp. z o.o., Poznan	100.00	6	-52	-82

b) Associated companies

Global MDF Industries B.V., Amsterdam, together with its subsidiaries, is included in the consolidated financial statements of Homann Holzwerkstoffe GmbH as an associated company on the basis of consolidated financial statements in accordance with section 311 HGB due to the 16.2% shareholding. On May 10, 2022, the parent company initially acquired a 16.2% interest in Global MDF Industries B.V. In the further course, the parent company will acquire another 10.8% of the shares. First-time consolidation resulted in a difference on the assets side of kEUR 8,095, which is reported as goodwill in the carrying amount of the shares in associated companies and is amortized over a period of five years using the straight-line method. The expansion of the site, the start of production and the continued successive expansion of capacity and value creation will take place over the next five years. Goodwill was incurred for the successive full entry into this new market. We therefore consider amortization over five years to be appropriate.

3. Consolidation principles

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

Payables and receivables between consolidated companies are offset.

Revenues, income and expenses between consolidated companies are offset.

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

4. Currency translation

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

5. Accounting policies

HHW's accounting policies also apply to the consolidated financial statements. Annual financial statements prepared in accordance with Polish and Lithuanian law were generally adjusted to conform with the consolidated accounting guidelines under HGB. In accordance with DRS 26.87e, the investment in the associated company is included without adjusting the different accounting policies of the financial statements prepared to IFRS. The basis for reporting the change in the equity value in the consolidated income statement is the result after income taxes of the associated company, before taking into account other comprehensive income (OCI).

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 systematic depreciation. They include the expenses incurred until the plants are ready for operation. This also includes interest on debt capital incurred during the construction period. Amortization and depreciation are carried out using the straight-line method based on the expected useful life of the asset and in accordance with tax provisions. The useful life of land, leasehold rights and buildings, including buildings on unowned land, is 10-75 years, the useful life of technical equipment and machinery and the useful life of fixtures, fittings and equipment is 2-15 years.

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

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

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

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

Cash and cash equivalents are stated at the nominal value. Funds in foreign currencies are translated as at the reporting date in accordance with section 256a HGB.

Prepaid expenses include expenses that are attributable to later periods.

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

With regard to 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 remaining terms of more than one year are discounted using the average market interest rate specified by Deutsche Bundesbank for the same maturity. **Anniversary provisions** and **early retirement provisions** are calculated using actuarial methods based on the “2018 G” tables of Prof. Dr. Klaus Heubeck, applying an actuarial interest rate of 1.74%.

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

Deferred income is recognized at nominal value. This is income attributable to the period after December 31.

6. Notes to the consolidated balance sheet

a) Fixed assets

	Cost of purchase/manufacture						Depreciation/impairments					Book value	
	Date Jan. 1, 2023 EUR	Reclassi-fications EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2023 EUR	Date Jan. 1, 2023 EUR	Additions EUR	Disposals EUR	Currency exchange differences EUR	Date Dec. 31, 2023 EUR	Date Dec. 31, 2023 EUR	Date Jan. 1, 2023 EUR
I. Intangible assets													
1. Concessions acquired against payment, commercial trademark rights and similar rights and assets as well as licenses to such rights and assets	8,130,519.24	28,686.40	182,180.31	-427,775.29	169,944.86	8,083,555.52	7,488,396.93	251,163.85	-427,325.21	154,289.58	7,466,525.15	617,030.37	642,122.31
2. Advance payments made	89,343.40	0.00	39,516.00	0.00	0.00	128,859.40	0.00	0.00	0.00	0.00	0.00	128,859.40	89,343.40
	8,219,862.64	28,686.40	221,696.31	-427,775.29	169,944.86	8,212,414.92	7,488,396.93	251,163.85	-427,325.21	154,289.58	7,466,525.15	745,889.77	731,465.71
II. Tangible assets													
1. Properties, rights equivalent to real property and structures including structures on third-party properties	93,919,737.39	6,339,432.59	1,682,938.07	-96,280.25	4,806,250.97	106,652,078.77	39,109,911.61	2,382,246.36	-66,180.97	1,579,968.69	43,005,945.69	63,646,133.08	54,809,825.78
2. Technical equipment and machinery	225,771,972.83	11,227,684.26	11,730,966.47	-1,522,306.97	13,889,474.64	261,097,791.23	126,409,192.56	13,630,461.64	-1,426,690.32	8,165,793.59	146,778,757.47	114,319,033.76	99,362,780.27
3. Other property, plant and equipment	32,796,247.43	679,616.00	2,060,719.81	-923,290.88	912,825.45	35,526,117.81	15,752,022.30	2,562,077.79	-643,817.59	629,849.87	18,300,132.37	17,225,985.44	17,044,225.13
4. Advance payments made and work in progress	162,779,791.03	-18,275,419.25	98,834,758.55	-158,649.75	3,188,664.55	246,369,145.13	0.00	0.00	0.00	0.00	0.00	246,369,145.13	162,779,791.03
	515,267,748.68	-28,686.40	114,309,382.90	-2,700,527.85	22,797,215.61	649,645,132.94	181,271,126.47	18,574,785.79	-2,136,688.88	10,375,612.15	208,084,835.53	441,560,297.41	333,996,622.21
III. Financial assets													
Shares in associated companies	12,407,417.00	0.00	0.00	-2,371,525.00	-379,184.00	9,656,708.00	0.00	0.00	0.00	0.00	0.00	9,656,708.00	12,407,417,00
	535,895,028.32	0.00	114,531,079.21	-5,499,828.14	22,587,976.47	667,514,255.86	188,759,523.40	18,825,949.64	-2,564,014.09	10,529,901.73	215,551,360.68	451,962,895.18	347,135,504,92

The shares in associated companies comprise the goodwill resulting from first-time consolidation taking into account the depreciation from first-time consolidation of Global MDF Industries B.V., Amsterdam. The item also includes the pro rated equity capital. Please refer to the comments under 2.b) and 7.e) in these notes.

b) Receivables, other assets, accrued and deferred items

There are no receivables with remaining terms of more than one year. As of December 31, 2023, other assets in the amount of kEUR 76 had a term of more than one year.

Material items recognized in **other assets** include tax refund claims amounting to kEUR 4,740 (previous year: kEUR 6,777), receivables from factoring companies amounting to kEUR 3,323 (previous year: kEUR 4,189) and, in the previous year, a plant intended for resale amounting to kEUR 2,264.

Accrued and deferred items primarily include the costs for processing loan agreements, prepaid expenses from rental and leasing payments as well as insurance contributions for the time after December 31, 2023.

c) Other securities

Various securities (shares, fund shares as well as fixed-interest securities), which are valued at the lower of cost or market price, are reported as investments classified as current assets (strict lower of cost or market principle).

d) Equity

Subscribed capital, reserves and consolidated retained earnings are recognized as **equity**. Pursuant to commercial register entries, the following shareholder relationships existed as of December 31, 2023:

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

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

Other profit reserves resulted from the change of accounting rules implemented as a result of the German Accounting Modernization Act (BilMoG) in the amount of kEUR 22 and from badwill in the amount of kEUR 193. Differences on the liabilities side from first-time consolidation relate to HOPE Investment Sp. z o.o. (kEUR 111), Homatrans Sp.z o.o. (kEUR 80) and HOMANIT Verwaltungs GmbH (kEUR 2). They arose exclusively from retained earnings from the period prior to initial consolidation and are therefore recognized in equity. If the shares in these companies are sold, the badwill is reversed to increase profits.

The **difference in equity resulting from currency translation** changed from kEUR -15,790 to kEUR -9,798. Changes in the PLN/EUR exchange rate accounted for kEUR 6,371 of the reduction. By contrast, the subsequent at-equity consolidation of the associated company led to an increase of kEUR -379.

Consolidated retained earnings developed as follows:

	EUR
Consolidated retained earnings - January 1, 2023	140,520,929.88
Consolidated net income	23,705,284.98
Consolidated retained earnings - December 31, 2023	164,226,214.86

Amounts totalling kEUR 46 (previous year: kEUR 206) may not be distributed pursuant to section 253 para. 6 sentence 1 HGB and due to first-time application of the German Accounting Modernization Act (BilMoG).

e) Special item

In the financial year, the Group received grants for sustainability-related research projects and for investments totalling kEUR 353 (previous year: kEUR 420) as well as for the promotion of investments and the creation of permanent jobs in the amount of kEUR 15,921 (previous year: kEUR 3,239). Based on the funding conditions, they are released using the straight-line method over the term of four and five years, respectively.

f) Provisions

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

The calculation was based on the following assumptions:

	Dec. 31,2023
Interest rate at the beginning of the financial year	1.78%
Interest rate at the end of the financial year	1.82%
Anticipated wage and salary increases p.a.	0.00%
Expected pension increases p.a.	2.20%
Staff turnover p.a.	3.30%

As of December 31, 2023, an amount of kEUR 6 from the first-time adoption of the German BilMoG Act had not yet been recognized in pension provisions. Furthermore, there was a difference of kEUR 40 pursuant to section 253 para. 6 sentence 1 HGB. The pension obligation would have to be increased by this amount if the average interest rate of the past seven years (1.74%) was chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2023 as well as for previous years.

Other provisions primarily involve obligations to employees (e.g. vacations, profit shares, overtime, obligations from partial retirement, contributions to professional associations), warranty and bonus obligations to customers, the cost of preparing and auditing the separate and consolidate financial statements as well as imminent losses from pending transactions and contingent liabilities.

g) Liabilities

Liabilities have the following maturity structure:

Dec. 31, 2023	Up to 1 year EUR	1 to 5 years EUR	More than 5 years EUR	Total EUR
1. Bonds	0.00	78,000,000.00	0.00	78,000,000.00
2. Liabilities to financial institutions	58,722,460.84	157,451,078.26	9,398,265.00	225,571,804.10
3. Advance payments received	571,934.19	0.00	0.00	571,934.19
4. Trade payables	53,220,935.09	0.00	0.00	53,220,935.09
5. Other	8,327,363,30	0.00	0.00	8,327,363.30
	120,842,693.42	235,451,078.26	9,398,265.00	365,692,036.68

Dec. 31, 2022	Up to 1 year EUR	1 to 5 years EUR	More than 5 years EUR	Total EUR
1. Bonds	0.00	78,000,000.00	0.00	78,000,000.00
2. Liabilities to financial institutions	45,156,218.09	125,802,121.98	12,636,045.00	183,594,385.07
3. Advance payments received	100,000.00	0.00	0.00	100,000.00
4. Trade payables	56,561,288.35	0.00	0.00	56,561,288.35
5. Other	5,833,568.59	0.00	0.00	5,833,568.59
	107,651,075.03	203,802,121.98	12,636,045.00	324,089,242.01

The **bond** consists of 78,000 notes of EUR 1,000.00 each. The interest rate is 4.5% p.a. Interest is payable on September 12 of each year. The bond was placed on the Frankfurt/Main stock exchange with a 5.5-year term, maturing on September 12, 2026. It is unsecured and unsubordinated. Interest was recognized on an accrual basis by kEUR 1,067 as of December 31, 2023.

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

The remaining liabilities are unsecured.

Other liabilities essentially comprise wages outstanding in the amount of kEUR 2,278 (previous year: kEUR 1,864) as well as accrued interest under the bond issue in the amount of kEUR 1,067 (previous year: kEUR 1,067). Taxes accounted for kEUR 1,349 (previous year: kEUR 697) and social insurance contributions for kEUR 1,959 (previous year: kEUR 1,438).

h) Deferred tax liabilities

Deferred tax assets result from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet in the amount of kEUR 119 (previous year: kEUR 106) and from the elimination of intercompany profits (sale of fixed assets and inventories) in the amount of kEUR 14 (previous year: kEUR 31). Deferred tax liabilities of kEUR 510 (previous year: kEUR 558) result from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet. Deferred tax assets were offset against deferred tax liabilities. In calculating deferred tax assets in the previous year, tax loss carry-forwards were only taken into account to the extent that estimated future income would allow the deduction of those losses. For the calculation of deferred taxes, a tax rate consistent with the entity's legal form was applied to the differences between the commercial balance sheet and the tax balance sheet. Tax rates of between 14% and 25% were used.

7. Notes to the income statement

a) Revenues

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

	2023 kEUR	2022 kEUR
Germany	82,630	94,562
European Union	263,389	282,177
Other foreign countries	8,483	18,127
	354,502	394,867

b) Other operating income

The main item recognized in other operating income were currency exchange gains of kEUR 14,764 (previous year: kEUR 6,119), of which an amount of kEUR 9,261 was realized in the financial year 2023. An amount of kEUR 2,150 of other operating income relates to previous years. Trading in air pollution permits and the sale of fixed assets resulted in income of kEUR 2,914. In addition, the Group generated income from the reversal of provisions in the amount of kEUR 449.

c) Expenses for personnel

Expenses for personnel in the amount of kEUR 58,334 (previous year: kEUR 51,283) include expenses for old-age provisions of kEUR 247 (previous year: kEUR 251). Social security contributions include expenses for allocations to pension provisions from the first-time application of the BilMoG in the amount of kEUR 6 (previous year: kEUR 7).

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

	2023	2022
White-collar employees	465	372
Blue-collar employees	1,125	1,191
Total	1,590	1,563

d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 20,005 (previous year: kEUR 19,707), repair and maintenance costs as well as costs of performance in the amount of kEUR 16,769 (previous year: kEUR 10,727), administrative costs of kEUR 9,343 (previous year: kEUR 11,415) and currency exchange losses of kEUR 7,002 (previous year: kEUR 6,233). In the financial year 2023, the currency exchange losses were fully realized. In the previous year, expenses for other taxes in the amount of kEUR 1,333 were also reported. As of the financial year 2023, other taxes are recognized separately under Other taxes in the income statement.

e) Financial result

Interest and similar income essentially resulted from the investment in securities and deposits in the amount of kEUR 833; in the previous year, negative interest (custodian fee for bank balances) in the amount of kEUR 61 was offset against interest income.

The **amortization of investments classified as current assets** relates to write-downs on investments classified as current assets in the amount of kEUR 6 (previous year: kEUR 1,079).

Expenses from investments in associated companies relate to Global MDF B.V. They are composed of the amortization of the difference from first-time consolidation of kEUR 1,580 and subsequent consolidation of kEUR 792 (pro-rated loss for the financial year 2023). The exchange differences resulting from subsequent consolidation in the amount of kEUR 379 were recognized in the difference in equity resulting from currency translation.

Interest expenses primarily include interest on the bond as well as interest on loans from the lending banks in the amount of kEUR 8,891, interest from leasing and factoring in the amount of kEUR 2,115 and

processing fees for loan applications in the amount of kEUR 503. The compounding of non-current provisions resulted in expenses of kEUR 51 (previous year: kEUR 114).

f) Income taxes

This item breaks down as follows:

	2023 kEUR	2022 kEUR
Deferred taxes resulting from differences between the amounts recognized in the commercial balance sheet and the amounts recognized in the tax balance sheet	-61	-161
Trade tax	1,778	1,695
Corporate income tax	467	593
Deferred taxes from consolidation	16	24
Corporate income tax from previous years	0	-128
	2,200	2,023

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

8. Cash flow statement

Unlike the previous year, proceeds from investment grants were recognized in cash flow from investing activities. In the previous year, proceeds from investment grants were recognized in cash flow from operating activities with a change in the special item. As of December 31, 2023, the previous year was adjusted accordingly.

9. Contingent liabilities, other financial obligations, micro-hedges and factoring-based financing

The parent company has assumed a directly enforceable maximum amount guarantee of EUR 85 million for all claims of IKB Deutsche Industriebank AG against HOMANIT Holding GmbH. Homann Holzwerkstoffe GmbH has issued a counter-guarantee in the amount of EGP 238,599,000 (equivalent to kEUR 6,956 as of December 31, 2023) to its joint venture partner, EKH S.A.E., Egypt, as collateral for financial liabilities. A guarantee exchange took place in July 2023. The company now guarantees directly to the Egyptian Bank. The counter-guarantee towards EKH S.A.E. no longer exists.

As of the balance sheet date, **other financial obligations** amounted to kEUR 11,129 (previous year: kEUR 12,449). These obligations involve rental, leasing and leasehold agreements. In addition, there is a liability from plant orders in the amount of kEUR 36,482 (previous year: kEUR 79,363) as well as the obligation to pay a further purchase price instalment in the amount of USD 10 million (equivalent to kEUR 9,027 as of December 31, 2023) in the context of the investment in Global MDF B.V. under certain conditions.

An underwriting agreement exists with two financial institutions, as well as an associated agreement concerning financial instruments for hedging against interest rate risks. The transaction is a micro-hedge. As of December 31, 2023, this micro-hedge had a positive market value. The swap agreement ends on August 19, 2024.

In addition, there is another interest rate swap agreement ending on September 28, 2026. The amount hedged is kEUR 48,780. This financial instrument had a negative market value of kEUR 731 as of December 31, 2023.

The changes in value in the hedged items and the hedging instruments for the interest rate risk cancel each other out over the term of the hedging transactions, since they are exposed to the same risk and are affected by identical factors in the same way. Accordingly, the transactions are classified as effective hedges. Therefore, no provision needs to be established for the negative market value.

Factoring agreements with del credere arrangements (true factoring) for trade receivables exist for financing purposes as well as to improve receivables management and to limit bad debt risks. As of December 31, 2023, the factoring company had accepted receivables in the amount of kEUR 24,552 and paid out kEUR 21,229 in return.

10. Post-balance sheet events

At the present time, the Group is not aware of any charges that had a particular impact on the assets, financial and earnings position as at December 31, 2023. Insofar, please refer to the information provided in the Group management report.

11. 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 sections 264b and 264 para. 3 HGB (German Commercial Code)

HOMANIT GmbH & Co. KG, Losheim, and HOMANIT Holding GmbH, Munich, were included in the consolidated financial statements of Homann Holzwerkstoffe GmbH and make use of the exemption provided by sections 264b and 264 para. 3 of the German Commercial Code (HGB) with regard to the disclosure of their financial statements. HOMANIT GmbH & Co. KG prepares no management report.

Appropriation of earnings

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

Management

Managing Directors of Homann Holzwerkstoffe GmbH are:

- **Mr Fritz Homann**,
  Managing Partner, Munich
- **Mr Gunnar Halbig,**
  Technical Managing Director, Paderborn

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

Fees

The fees recognized as expenses in the financial year 2023 pursuant to section 314 para. 1 No. 9 HGB relate to auditing services (kEUR 185) and other certification services (kEUR 8).

Munich, April 23, 2024

Fritz Homann Gunnar Halbig

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

INDEPENDENT AUDITOR'S REPORT

To the Homann Holzwerkstoffe GmbH, München

Audit Opinions

We have audited the consolidated financial statements of Homann Holzwerkstoffe GmbH, München, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Homann Holzwerkstoffe GmbH, München, for the financial year from 1 January 2023 to 31 December 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the other parts of 2023 annual report, which is expected to be made available to us after the date of this auditor's report, but not the consolidated financial statements, not the group management report and not our associated auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial postion, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to in-fluence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, April 23, 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Tim Bonnecke	Thorsten Bruckhaus
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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