



HOMANN  
HOLZWERKSTOFFE

# Consolidated Financial Statements 2015 for Homann Holzwerkstoffe GmbH



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for the period from January 1, 2015 to December 31, 2015

## TABLE OF CONTENTS

Foreword	Page	3
Group management report	Page	5
Consolidated balance sheet	Page	16
Consolidated income statement	Page	17
Consolidated statement of cash flows	Page	18
Consolidated statement of changes in equity	Page	20
Notes to the consolidated financial statements	Page	24
Audit certificate	Page	35

## FOREWORD

Dear Reader,

The commissioning of our new MDF/HDF raw fibreboard plant in Krosno/Oder, Poland, in the past financial year marked a milestone in our company's history. The plant was completed without any major deviation from the set deadline and budget, which is certainly quite an achievement for a project of this size. Since the start of three-shift operation, we have been able to continuously extend the plant's operating hours and noticeably reduce the downtime usually associated with the start-up of new production plants. Good capacity utilisation at the end of the year resulted in a significant productivity gain, which enabled us to improve our profitability already in the financial year 2015 as planned.

Our Group generated total sales revenues in the amount of EUR 201 million and EBITDA before one-time effects of EUR 23.7 million, which was in line with our forecast. At the same time, the sale of non-essential assets enabled us to realise hidden reserves and strengthen our equity base accordingly as well as to further improve our financing structure.

Building on the past year, we want to continue our strategy to focus on the production and distribution of thin, high-quality medium-density fibreboards (MDF) and high-density fibreboards (HDF) in 2016. We therefore plan to expand our finishing activities through additional coating and post-processing capacities at our Polish locations and in Losheim, Germany. We expect our sales revenues and EBITDA before one-time effects to increase by a further 15% and 50%, respectively, in the financial year 2016 not least as a result of the first full production year in Krosno. Moreover, we want to continue to improve our balance sheet structure in order to ensure the smooth refinancing of our bond.

Special thanks go to our employees whose commitment forms the basis for our successful performance. I would also like to take this opportunity to thank our business partners for the good cooperation as well as our investors for their support and the confidence placed in us.

Yours sincerely,



Fritz Homann  
Managing Director of Homann Holzwerkstoffe GmbH



## GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2015

### A. Presentation of the course of business

Homann Holzwerkstoffe GmbH was established as a parent company in December 1998. The Group develops, produces and sells wooden materials including related products. Homann Holzwerkstoffe GmbH indirectly holds all shares in the three operating companies, HOMANIT GmbH & Co. KG, Losheim/Germany, HOMANIT Polska Sp.z o.o., Karlino/Poland, and Homanit Krosno Odranskie Sp. z o.o., Krosno/Poland.

A EUR 50 million bond was issued in the financial year 2012, which was increased by EUR 25 million each in 2013 and 2014 to EUR 100 million. The total amount of EUR 100 million is to be repaid on December 14, 2017.

HOMANIT GmbH & Co. KG, Losheim, and HOMANIT Polska Sp.z o.o., Karlino, produce and sell HDF/MDF panels. Homanit Krosno Odranskie Sp. z o.o., Krosno, was established in the financial year 2012. Following the takeover of the assets of Hardex S.A., the complete reorganisation of the plant began in 2012. Production started as planned in mid-2015. By December 31, 2015, the investments in a state-of-the-art MDF/HDF fiberboard factory totalled EUR 99.8 million. Homatech Sp.z o.o., Karlino, provides industrial assembly, maintenance and repair services to the Group and third parties. Homatrans Sp.z o.o., Karlino, fulfils transport and logistic tasks.

Homann Holzwerkstoffe GmbH is a leading European supplier of thin finished wooden fibreboard for the furniture, doors, coatings and automobile industries. The product range of the specialist for the production and distribution of medium-density (MDF) and high-density fibreboard (HDF) is targeted at a wide range of customers. These primarily include companies from the furniture, doors and coatings industries. Special solutions, for example for automotive interiors or packaging systems and product boxes, also give the company access to a range of other customer groups. This results in growing diversification of the customer base, which reduces the company's exposure to cyclical developments in individual sectors. However, the international furniture industry remains the most important customer group.

The business model is based on the strategic approach of covering all relevant stages of the value chain with a focus on ongoing new and further development in the context of the research and development activities, multi-stage panel production, finishing and customisation of the products and their distribution. By controlling all steps of the process, the company can guarantee its customers high product quality and at the same time flexibly respond to individual customer requirements and short-term market changes. This strategic approach has been instrumental in consolidating the company's market position. The Homanit Group is the European market leader for very thin finished panels with a thickness of up to 3.0 mm.

## 1. Description of the business situation in 2015

### Macroeconomic situation

The global economy continued to grow moderately in 2015. Real gross domestic product (GDP) expanded by 3.0%. This means that the dynamic upward trend lost some momentum. Taking the existing negative factors influencing the economy into account, this is, however, a remarkable growth rate. In particular the geopolitical crises in Syria and the Ukraine, the prevailing structural problems in Europe, uncertainties about China's growth prospects as well as the resurging terror threat and the unprecedented flow of refugees to Europe put a major damper on the global economy (*source: Ifo Economic Forecast 2015-2017, December 9, 2015*).

The recovery in the European economy continued at a slower pace in the financial year. Declining energy prices as a result of the slump in the oil price brought some relief for consumer household budgets, thereby turning private consumption into a significant growth driver. The sharp fall in the value of the euro against the US dollar also had a positive effect. Nonetheless, some European countries, including France and Italy, two of the biggest economies in Europe, suffered from unresolved structural problems. All in all, GDP in the eurozone grew by 1.5% in 2015 (*source: Ifo Economic Forecast 2015-2017, December 9, 2015*).

The German economy was characterised by sound and steady growth, which resulted in a GDP growth rate of 1.7%. As in the previous year, in particular domestic demand provided positive stimulation. Consumer spending was the chief growth driver of the German economy, contributing 1.1 percentage points to the price-adjusted GDP, with another 0.5 percentage points coming from government consumption. In contrast, exports, which traditionally support the German economy, contributed only 0.2 percentage points to economic growth (*source: Destatis – Detailed economic results of the 4th quarter 2015 published on February 23, 2016*).

### Industry trend

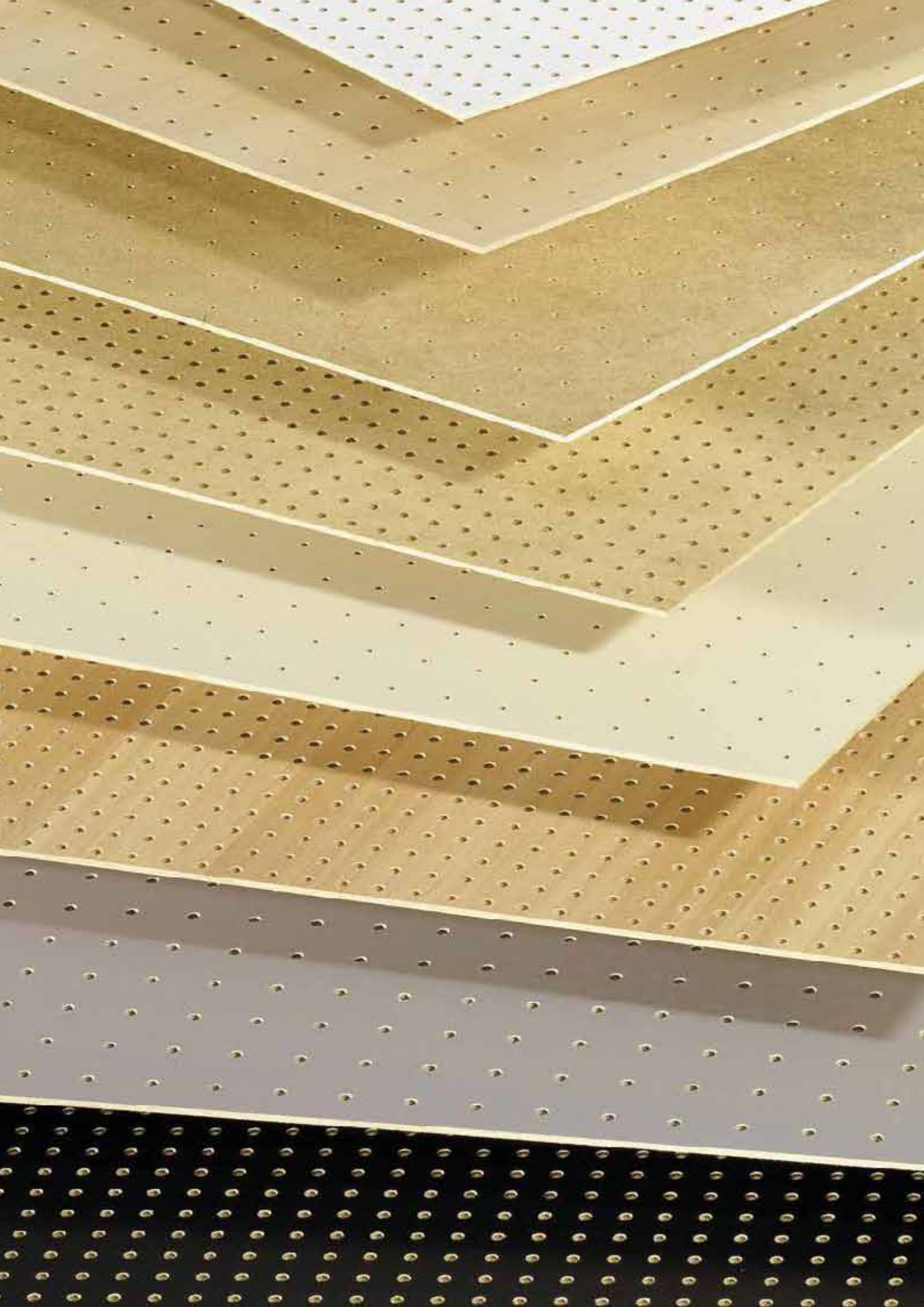
The financial year saw trading conditions for producers of MDF and HDF panels almost unchanged compared with the previous year. The market segment for unfinished MDF and HDF panels measuring between 6 and 30 mm in thickness was characterised by high competitive pressure due to existing overcapacities in the market and rather declining sales opportunities. The situation in the market segment for very thin, high-quality MDF and HDF panels of up to 3 mm in thickness was much more favourable. In 2015, this segment was marked by a healthy competitive situation with additional growth opportunities provided by the ongoing trend towards lightweight construction in the furniture and doors industries.

According to the Verband der Deutschen Möbelindustrie (VDM - association of the German furniture industry), the German furniture industry grew by 6.2% in the past year. The significant sales growth was based on high domestic demand as well as on a strong export performance. According to the umbrella confederation of the German construction industry (Hauptverband der Deutschen Bauindustrie), the German construction sector also showed a positive trend in the financial year, with sales revenues up 1.6%.

### Business situation of the Group

At EUR 201 million, revenues in the financial year 2015 were about 2.9% below plan (EUR 207 million) and 1.2% below the prior year level. In this context, it has to be taken into account that laminated panel sales in the amount of approx. EUR 8.9 million are no longer included in the sales revenues of the Group due to the deconsolidation of Homatrade in 2014. Adjusted for this effect, revenues from the production/distribution of MDF/HDF fiberboards were up 3.3% on the previous year. Sales volumes and revenues of the plant in Karlino exceeded the planned figures. More finished products were sold.







The plants in Krosno and Losheim failed to reach the budgeted figures.

The projected EBITDA for 2015 in the amount of EUR 23.7 million was slightly exceeded and included income from one-time transactions of approx. EUR 4.2 million.

The prices for the most important raw materials, namely wood and glue, remained relatively stable in the financial year; they were essentially in line with the expectations according to the December 2014 projections. Taking into account the increase in the stocks of finished and unfinished goods, the cost of materials declined by 3.6 percentage points to 58.8%.

In spite of the increased number of employees, personnel expenses remained almost unchanged compared to the previous year. This was due to the relocation of personnel cost-intensive finishing activities from Losheim to the plant in Krosno.

The PLN exchange rate trend resulted in non-cash exchange losses of EUR 1.0 million (previous year: loss of EUR 1.2 million) as well as to a slight reduction in Group reserves not recognised in profit/loss.

Extraordinary expenses arising from the restructuring measures in Losheim reduced the result for the year by EUR 0.3 million. The expenses primarily relate to the measures implemented to reduce the headcount.

Taking the special revenues from the sale and lease-back into account, the EUR 4.2 million result for the year is satisfactory.

## 2. Product policy

HOMANIT focuses on the production and distribution of thin HDF panels, low-swelling, low-formaldehyde boards and lightweight construction for the furniture industry while being committed to achieving the highest levels of quality as well as excellent customer care and a good delivery service. Marketing of the hard fibreboards previously produced in Krosno was discontinued following the March 2015 shut-down of the old plant.

## 3. Investments

The Group's investments totalled EUR 29.8 million.

HOMANIT Krosno invested EUR 25.9 million in the financial year 2015, most of which related to the construction of the new ContiRoll panel press, buildings as well as finishing and other processing facilities.

The Losheim plant accounted for EUR 2.3 million; of which EUR 1.0 million was spent on projects related to the new ERP system.

Investments at the Karlino plant amounted to EUR 1.3 million. The main projects comprised additional finishing lines, buildings and infrastructure measures.

Certain systems will be refinanced through leasing in future.

## 4. Human resources

The Group employed an average of 1,370 people in 2015 (previous year: 1,336). The increase was mainly due to higher staff requirements at the Polish plants; they resulted from the start-up of another finishing line in Karlino and the relocation of the finishing activities to Krosno.



## B. Presentation of the situation

### 1. Net assets

Consolidated total assets increased by kEUR 7,299 from kEUR 231,725 in the previous year to kEUR 239,024 in the financial year 2015. Investments of kEUR 29,757 contrasted with systematic depreciation of kEUR 12,628. Investments were covered by the proceeds from the bond, a bank loan and cash flow.

Inventories increased by kEUR 5,447 due, among other things, to the deliberate increase of stocks of raw materials and finished goods.

Trade receivables decreased by kEUR 1,428. Since 2005 the main companies have signed factoring agreements. These are non-recourse factoring agreements.

Receivables from shareholders as well as from affiliated companies increased to kEUR 17,011.

The equity ratio amounted to 8.9% (previous year: 7.4%). The increase is mainly attributable to the consolidated net profit for the year taking the higher total assets into account. The exchange losses from the translation of equity capital for 2015, which were not recognised in profit/loss, resulted in a slight decline.

Adjusted for the exchange differences recognised in Group reserves and taking the silent partnership into account, the equity ratio stood at 14.0% (previous year: 13.0%).

## 2. Financial position

The application of the German Accounting Standard No. 21 (DRS 21) resulted in material changes. For better comparability, the previous year's figures were adapted to the new standard. The HHW Group's operating cash flow (consolidated result plus depreciation) climbed from kEUR 4,747 in the previous year to kEUR 16,828. Net cash used in investing activities amounted to kEUR 23,849. Financing activities resulted in a further cash outflow of kEUR 7,925, which comprised the proceeds from new loan agreements (kEUR 9,207) less loan repayments (kEUR 8,460) as well as interest payments on the loans. As of December 31, 2015, the Group's cash and cash equivalents and free securities totalled kEUR 5,157. It is planned to use these funds to finance the remaining investments, especially in Krosno. According to DRS 21, short-term liabilities to financial institutions have to be deducted from these funds.

The Homann bond is to be refinanced in December 2017. Exploratory talks about the options for smooth refinancing are currently being held.

## 3. Results of operation

Total output rose to kEUR 205,430 (previous year: kEUR 203,524) even though the sales revenues of Homatrade were no longer included in 2015; the resulting revenue shortfall was largely offset by higher revenues from the sale of HDF/MDF panels. The remaining decline in revenues of kEUR 2,376 was more than offset by an increase in own work capitalised and inventory changes totalling kEUR 4,282. As a result of these effects as well as the improvement in the cost of materials as a percentage of revenues from 62.4% to 59.8%, the gross result increased from kEUR 76,510 to kEUR 82,615. Although our sales revenue targets were not reached in full, we are not dissatisfied with the gross result.

## C. Forecast

### 1. Future development

#### Macroeconomic situation

Following a 2.6% increase in 2015, the German Council of Economic Experts expects global production to grow by 2.5% and 2.8% in 2016 and 2017, respectively. In line with this forecast, global trade is expected to increase by 2.9% and 3.3% in 2016 and 2017, respectively, after an increase of 2.5% in 2015 (source: *Economic Forecast 2016-2017 of the German Council of Economic Experts, March 23, 2016, p. 3*).

The eurozone continues to recover moderately. In the majority of the member states, the underutilisation of production capacities is slowly declining. The positive growth rates in the second half of 2015 and the continued decline in unemployment also support the expectation of a continued recovery in 2016 and 2017. A GDP growth rate of 1.5% is forecast for both 2016 and 2017, while the rate of inflation is expected to amount to 0.2% and 1.1%, respectively. A slide into deflation seems unlikely (source: *Economic Forecast 2016-2017 of the German Council of Economic Experts, March 23, 2016, p. 8*).

The expansion of the German economy lost some momentum in the second half of 2015. At 0.3% each in the third and fourth quarter, real GDP growth rates reached approximately the level of production capacity, with a slight underutilisation in 2015. While domestic demand increased more strongly than assumed in the Annual Economic Report 2015/2016, the foreign trade environment was weaker than expected (source: *Economic Forecast 2016-2017 of the German Council of Economic Experts, March 23, 2016, p. 11*).

#### Industry trend

The wooden materials industry is projecting slightly higher revenues for 2016 compared to the previous year. The furniture industry, which is a major buyer of wooden materials, expects moderate growth between 1% and 2%. The doors industry is another important customer; sales in the domestic market will increase slightly, as building applications, for instance, are showing a positive trend.

#### Business situation of the Group in 2016

In the core countries supplied by the Group, especially Germany, the Baltic states, Belarus and Italy, the market for thin boards remains stable at a high level. While the positive market trend in Poland will continue, the French market will stagnate at a high level. The Group plans a capacity of 667 thousand cubic metres for 2016. The increased capacity results from the start-up of the new panel press in Krosno. Revenues will climb to EUR 235 million as a result of the new capacity. We do not expect capacity utilisation to become a problem as all plants will be well utilised.

The strategic focus will be on expanding the finishing activities and, hence, on increasing profitability in the core business segments, on reducing the Group's leverage and on strengthening its equity base.

Investments will total EUR 15.0 million and largely relate to finishing facilities.

The planned consumption of materials is essentially based on the actual figures of 2015 in conjunction with slightly higher revenues and the fact that no more panels will be sourced from external suppliers. We continue to work on optimising the consumption of materials. We assume that the purchase prices of wood and glue will not increase in 2016.

We expect EBITDA to amount to EUR 33.0 million in 2016, after EUR 23.7 million in 2015.

## 2. Future opportunities and risks

The estimates of the market trend and the implementation of investments required in 2016 are generally based on the assumption that the economic situation will not deteriorate.

Risks to the world economy exist in the form of a pronounced economic slowdown in China and other emerging markets, turmoil on global financial markets, increased geopolitical conflict and the resurgence of the euro crisis. Another risk is the outcome of the United Kingdom referendum on EU membership. Stronger-than-expected growth in the Anglo-Saxon countries bears upside potential for growth. *(source: press release of the German Council of Economic Experts on the assessment of the macroeconomic trend, March 23, 2016).*

The assumptions on which our plans and projections for the financial years 2016 and beyond are based do not provide for material changes in energy policy, which means that we believe that energy-intensive enterprises in Germany will continue to benefit from rebates and discounts (EEG apportionment) also in future.

Risks may result from the loss of essential customers. In view of the existing contractual relationships, we currently do not assume that we will lose any essential customers.

The corporate bond is to be repaid in December 2017. Talks about its refinancing are already being held with a number of financial institutions. We expect the refinancing requirements in December 2017 to remain below EUR 100.0 million and interest expenses to decline significantly. Currently we see no risks to a successful refinancing.

The Polish plants in Karlino and Krosno are exposed to an exchange rate risk.

## 3. Outlook and strategic plans for the coming years

Wage-intensive activities are no longer performed in Germany. We have focused on the production of thin MDF/HDF fiberboards for many years; this strategy has paid off and will be continued.

In view of the successful start-up of the Krosno plant in the financial year 2015 and the planned capacity utilisation of all plants, we project a positive business trend for 2016 and beyond. We therefore believe that the preconditions for the successful refinancing of the bond and the continued stable financing of the HHW Group are in place.

In line with our plans, the figures for the first three months of 2016 are positive.

The HHW Group regularly prepares detailed plans and budgets which reflect revenues, costs and financial developments. Its companies operate functioning internal SAP-based control systems which regularly monitor the net assets, financial position and earnings situation.

Building on consistent market observation and the translation of market analysis results into plans and clearly defined targets as well as on efficient structures and short decision-making lines, we feel we are well positioned for the future.

Herzberg, April 15, 2016



(Fritz Homann)



Homann Holzwerkstoffe GmbH  
Herzberg am Harz

Notes to the consolidated financial statements  
for the period from January 1, 2015 to December 31, 2015

## CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2015

Homann Holzwerkstoffe GmbH, Herzberg

## ASSETS

	Item Comment	EUR	Dec. 31, 2015 EUR	Dec. 31, 2014 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	417,109.76		62,996.83
2.	Advance payments made	<u>3,414,168.95</u>		<u>2,532,097.14</u>
			3,831,278.71	2,595,093.97
<b>II. Tangible assets</b> 6.a.				
1.	Properties, rights equivalent to real property and structures including structures on third-party properties	44,998,943.52		25,492,909.08
2.	Technical equipment and machinery	112,097,411.27		66,361,899.02
3.	Other property, plant and equipment	5,760,136.54		3,339,331.94
4.	Advance payments made and work in progress	<u>6,760,950.62</u>		<u>59,375,860.73</u>
			169,617,441.95	154,570,000.77
<b>III. Financial assets</b> 6.b.				
1.	Shares in affiliated companies	36,732.96		25,000.00
2.	Equity investments	<u>782,324.50</u>		<u>782,324.50</u>
			819,057.46	807,324.50
			<u>174,267,778.12</u>	<u>157,972,419.24</u>
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1.	Raw materials and supplies	15,699,881.52		13,635,047.11
2.	Unfinished goods	25,234.03		38,763.66
3.	Finished goods	11,686,892.72		8,310,828.77
4.	Advance payments made	<u>64,112.28</u>		<u>44,125.27</u>
			27,476,120.55	22,028,764.81
<b>II. Receivables and other assets</b> 6.c.				
1.	Trade receivables	753,012.84		2,181,069.63
2.	Receivables from affiliated companies	1,442,794.33		210,443.79
3.	Receivables from shareholders	15,567,755.00		13,515,184.00
4.	Other assets	<u>9,727,729.98</u>		<u>14,190,769.57</u>
			27,491,292.15	30,097,466.99
<b>III. Other securities</b> 6.d.				
			1,241,140.80	6,307,283.95
<b>IV. Cash holdings, bank deposits and cheques</b>				
			<u>4,694,422.81</u>	<u>11,274,111.07</u>
			<u>60,902,976.31</u>	<u>69,707,626.82</u>
<b>C. Accrued items</b> 6.c.				
			1,200,964.32	1,338,219.13
<b>D. Deferred tax assets</b> 6.e.				
			<u>2,651,887.00</u>	<u>2,706,393.00</u>
			<u>239,023,605.75</u>	<u>231,724,658.19</u>



## LIABILITIES

	Item Comment	EUR	Dec. 31, 2015 EUR	Dec. 31, 2014 EUR
<b>A. Equity capital</b>				
	6.f.			
I. Subscribed capital		25,000,000.00		25,000,000.00
II. Capital reserves		25,564.60		25,564.60
III. Other retained earnings		21,839.00		21,839.00
IV. Group reserves		-9,156,372.87		-9,155,664.51
V. Consolidated unappropriated retained earnings		<u>5,264,877.00</u>		<u>1,065,063.45</u>
			21,155,907.73	16,956,802.54
<b>B. Provisions</b>				
	6.g.			
1. Provisions for pensions		1,596,605.00		1,373,269.00
2. Provisions for taxes		1,511,869.90		1,125,148.39
3. Other provisions		<u>3,237,420.88</u>		<u>4,111,495.73</u>
			6,345,895.78	6,609,913.12
<b>C. Liabilities</b>				
	6.h.			
1. Bonds		100,000,000.00		100,000,000.00
2. Silent partnership		5,250,000.00		5,250,000.00
3. Liabilities to financial institutions		74,388,339.13		65,700,646.66
4. Liabilities to affiliated companies		22,939,986.35		28,511,500.55
5. Liabilities to shareholders		30,578.33		55,076.05
6. Other liabilities		<u>8,804,898.43</u>		<u>8,640,719.27</u>
			211,413,802.24	208,157,942.53
<b>D. Accrued and deferred items</b>				
	6.i.		108,000.00	0.00
			<u>239,023,605.75</u>	<u>231,724,658.19</u>

Contingent liabilities

8.

## CONSOLIDATED INCOME STATEMENT

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to December 31, 2015

	Item Comment	Dec. 31, 2015 EUR	Dec. 31, 2014 EUR
1.Revenues	7.a	200,596,835.77	202,972,711.76
2.Reduction/increase in inventory of finished and unfinished goods		2,126,222.22	-80,058.82
3.Other own work capitalised		2,707,294.41	631,310.54
4.Other operating income	7.b	8,608,006.49	8,530,378.59
		<b>214,038,358.89</b>	<b>212,054,342.07</b>
5.Cost of materials			
a) Cost of raw materials and consumables and goods for resale		-106,403,813.20	-109,531,984.44
b) Cost of purchased services		-16,410,655.35	-17,482,113.15
		-122,814,468.55	-127,014,097.59
<b>Gross profit or loss</b>		<b>91,223,890.34</b>	<b>85,040,244.48</b>
6.Expenses for personnel	7.c		
a) Wages and salaries		-25,981,678.21	-25,851,673.52
b) Social security, pensions and other benefits		-5,218,375.05	-5,365,796.66
		-31,200,053.26	-31,217,470.18
7.Depreciation and amortisation of intangible and tangible fixed assets		-12,628,354.89	-10,492,233.49
8.Other operating expenses	7.d	-36,288,546.52	-39,400,085.90
<b>Operating result</b>		<b>11,106,935.67</b>	<b>3,930,454.91</b>
9.Income from investments		0.00	300,000.00
10.Income from other investments and loans classified as financial assets		80,000.00	113,649.00
11.Other interest and similar income		1,056,660.28	1,714,810.95
12.Write-down of financial investments and investments classified as current assets		-34,062.35	-2,118,803.70
13.Interest and similar expenditure		-7,498,708.52	-7,874,692.52
<b>Financial result</b>	7.e	<b>-6,396,110.59</b>	<b>-7,865,036.27</b>
<b>Results from ordinary activities</b>		<b>4,710,825.08</b>	<b>-3,934,581.36</b>
14.Extraordinary expenses	7.f	-330,556.25	-1,232,690.30
15.Income taxes	7.g	-180,455.28	-577,255.47
<b>16.Consolidated net income / net loss</b>		<b>4,199,813.55</b>	<b>-5,744,527.13</b>
17.Consolidated net income carried forward		1,065,063.45	6,809,590.58
<b>18.Consolidated unappropriated retained earnings</b>		<b>5,264,877.00</b>	<b>1,065,063.45</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to December 31, 2015

	2015 kEUR	2014 kEUR
<b>Consolidated result</b>	4,200	-5,745
Depreciation of assets	12,628	10,492
Decrease in provisions	-264	-2,974
Other non-cash expenses	121	1,520
Increase/decrease in inventories	-5,447	4,055
Decrease in trade receivables	1,428	4,356
Increase in receivables from shareholders	-3,285	-5,434
Decrease in other assets	9,799	13,509
Increase/decrease in trade payables	-5,572	7,364
Decrease in liabilities to shareholders and affiliated companies	-24	-144
Increase/decrease in other liabilities	272	-1,562
Gains on the disposal of shares in affiliated companies	0	-2,382
Loss/profit from the disposal of fixed assets	-4,891	24
Interest expenses / interest income	8,672	9,107
Currency-related change in assets/liabilities	-184	825
<b>Cash inflow from operating activities</b>	<b>17,453</b>	<b>33,011</b>
Proceeds from the disposal of tangible assets / intangible assets	5,908	72
Cash paid for investments in tangible assets / intangible assets	-29,757	-61,896
Proceeds from the disposal of subsidiary companies	0	2,800
<b>Cash outflow from investing activities</b>	<b>-23,849</b>	<b>-59,024</b>
Cash received from the raising of loans	9,207	39,276
Payments for the redemption of financial loans	-8,460	-8,396
Payments for the acquisition of shares in bonds issued	0	-6,045
Payments for the redemption of the silent partnership	0	-4,919
Change in shareholder loan	0	0
Interest paid	-8,672	-9,107
<b>Cash outflow/inflow from financing activities</b>	<b>-7,925</b>	<b>10,809</b>
<b>Change in cash and cash equivalents</b>	<b>-14,321</b>	<b>-15,204</b>
<b>Consolidation-related change in cash and cash equivalents</b>	<b>0</b>	<b>-161</b>
Cash and cash equivalents at the beginning of the period	-16,596	-1,231
<b>Cash and cash equivalents at the end of the period</b>	<b>-30,917</b>	<b>-16,596</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Homann Holzwerkstoffe GmbH, Herzberg  
for the period from January 1, 2015 to December 31, 2015

### Majority shareholder

	Subscribed capital EUR	Capital reserves EUR	Other profit reserves EUR	Group reserves (adjustment item from foreign cur- rency translation) EUR	Consolidated unappropriated retained earnings (Group equity capital generated) EUR	Equity capital EUR
January 1, 2014	25,000,000	25,565	21,839	-8,041,209	6,809,590	23,815,785
Changes in the basis of consolidation	0	0	0	-22,714	0	-22,714
Exchange differences	0	0	0	-1,091,742	0	-1,091,742
Group result for the year	0	0	0	0	-5,744,527	-5,744,527
December 31, 2014/ January 1, 2015	25,000,000	25,565	21,839	-9,155,665	1,065,063	16,956,802
Exchange differences	0	0	0	-708	0	-708
Group result for the year	0	0	0	0	4,199,814	4,199,814
December 31, 2015	25,000,000	25,565	21,839	-9,156,373	5,264,877	21,155,908





Homann Holzwerkstoffe GmbH  
Herzberg am Harz

Explanatory notes to the consolidated financial statements  
for the period from January 1, 2015 to December 31, 2015

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2015

### 1. Preparation of the consolidated financial statements

The consolidated financial statements of Homann Holzwerkstoffe GmbH (HHW) for the year ended December 31, 2015 were drawn up in accordance with the requirements of the German Commercial Code (HGB). 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 a uniform accounting in accordance with the principles applicable to the parent company. The consolidated income statement is organised according to the total cost accounting method (Gesamtkostenverfahren; section 275, para. 2 HGB).

### 2. Basis of consolidation

The following companies were included in the consolidated financial statements as of December 31, 2015:

No. Company	Equity share %	Held by No.	Equity	Net profit/loss
			Dec. 31, 2015 100% kEUR	for the period as of Jan. 1, 2015 - Dec. 31, 2015
1 Homann Holzwerkstoffe GmbH, Herzberg				
2 Homanit Holding GmbH, Losheim	100.00	1	54,842	+1,168
3 Homanit GmbH & Co. KG, Losheim	100.00	2	30,127	+8,806
4 Homanit Verwaltungsgesellschaft mbH, Losheim	100.00	3	32	+1
5 Homanit France SARL, Schiltigheim	100.00	3	22	+1
6 Homanit Polska Sp.z o.o., Spolka Komandytowa, Karlino	99.99 0.01	3 7	50,384	+13,096
7 Homanit Polska Sp.z o.o., Karlino	100.00	3	392	+92
8 Homatrans Sp.z o.o., Karlino	100.00	6	893	+230
9 Homanit Krosno Odranskie Sp.z o.o., Krosno	99.99	2	-9,959	-9,325
10 Homatech Polska Sp.z o.o., Karlino	100.00	6	176	+30

Based on a shareholders' resolution taken in January 2016, Homanit Holding made available additional equity capital in the amount of kEUR 10,056 to Homanit Krosno by converting loan receivables into a capital reserve.



### 3. Consolidation principles

Capital consolidation is performed by offsetting the carrying amount of investments in the Group companies against the proportionate balance sheet equity at the time of initial inclusion. The 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 recognised in Group reserves with no effect on profit or loss.

### 5. Accounting policies

HHW accounting policies also apply to the consolidated financial statements. Annual financial statements drawn up in accordance with Polish law were generally adjusted to conform with the consolidated accounting guidelines under HGB.

**Intangible assets** are measured at cost of purchase, less scheduled straight-line depreciation.

**Tangible 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. Amortisation and depreciation are carried out using both the straight-line and the declining-balance method based on the expected useful life of the asset and in accordance with tax provisions. The straight-line method is applied where it leads to a higher rate of amortisation or depreciation than the declining balance method.

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

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

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

**Receivables and other assets** are recognised at nominal values. Individual impairments are undertaken for individual risks. Foreign-currency receivables are recognised at the exchange rate in effect on the transaction date or at lower rates in effect on the balance sheet date.

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

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

Special rental payments and advance payments of costs that concern the months after December 31 are recognised in **prepaid expenses**. Discounts are not included in the prepaid expenses of kEUR 14.

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

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

**Tax provisions and other provisions** take into account all discernible risks and contingent liabilities pursuant to section 253, para. 1, sentence 2 HGB. Provisions with a term of more than one year are discounted at the average market interest rate over 15 years.

**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.

Liabilities from the purchase of fixed assets are recognised in trade liabilities. In the previous year, these liabilities were included in other liabilities. For the financial year 2015, the previous year's value of EUR 8,932,351.51 was reclassified accordingly.



## 6. Notes to the consolidated balance sheet

### a) Fixed assets

Changes in consolidated fixed assets:

	Cost of purchase/manufacture					
	Date Jan. 1, 2015 EUR	Re- classifications EUR	Additions EUR	Disposals EUR	Foreign exchange differences EUR	Date Dec. 31, 2015 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	1,694,438.20	1,011.85	390,598.23	-2,614.20	200.83	2,083,634.91
2. Advance payments made	2,532,097.14	0.00	882,071.81	0.00	0.00	3,414,168.95
	4,226,535.34	1,011.85	1,272,670.04	-2,614.20	200.83	5,497,803.86
<b>II. Tangible fixed assets</b>						
1. Properties, rights equivalent to real property and structures including structures on third-party properties	47,150,071.78	21,611,931.56	44,827.08	-98,903.42	4,671.10	68,712,598.10
2. Technical equipment and machinery	148,241,307.73	54,922,031.92	810,951.59	-36,976,568.72	19,512.74	167,017,235.26
3. Other property, plant and equipment	11,184,394.14	583,375.30	3,122,650.45	-1,239,579.50	1,848.12	13,652,688.51
4. Advance payments made and work in progress	59,375,860.73	-77,118,350.63	24,493,781.32	0.00	9,659.20	6,760,950.62
	265,951,634.38	-1,011.85	28,472,210.44	-38,315,051.64	35,691.16	256,143,472.49
<b>III. Financial assets</b>						
1. Shares in affiliated companies	25,000.00	0.00	11,732.96	0.00	0.00	36,732.96
2. Equity investments	782,324.50	0.00	0.00	0.00	0.00	782,324.50
3. Other loans	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
	2,807,324.50	0.00	11,732.96	0.00	0.00	2,819,057.46
	272,985,494.22	0.00	29,756,613.44	-38,317,665.84	35,891.99	264,460,333.81

Depreciation/impairments					Book value		
Date Jan. 1, 2015 EUR	Additions EUR	Disposals EUR	Re- classifications EUR	Foreign exchange differences EUR	Date Dec. 31, 2015 EUR	Date Dec. 31, 2015 EUR	Date Jan. 1, 2015 EUR
1,631,441.37	36,031.38	-754.77	0.00	-192.83	1,666,525.15	417,109.76	62,996.83
0.00	0.00	0.00	0.00	0.00	0.00	3,414,168.95	2,532,097.14
1,631,441.37	36,031.38	-754.77	0.00	-192.83	1,666,525.15	3,831,278.71	2,595,093.97
21,657,162.70	2,123,052.87	-47,182.41	1,350.99	-20,729.57	23,713,654.58	44,998,943.52	25,492,909.08
81,879,408.71	9,354,148.88	-36,198,034.89	-1,350.99	-114,347.72	54,919,823.99	112,097,411.27	66,361,899.02
7,845,062.20	1,115,121.76	-1,054,623.23	0.00	-13,008.76	7,892,551.97	5,760,136.54	3,339,331.94
0.00	0.00	0.00	0.00	0.00	0.00	6,760,950.62	59,375,860.73
111,381,633.61	12,592,323.51	-37,299,840.53	0.00	-148,086.05	86,526,030.54	169,617,441.95	154,570,000.77
0.00	0.00	0.00	0.00	0.00	0.00	36,732.96	25,000.00
0.00	0.00	0.00	0.00	0.00	0.00	782,324.50	782,324.50
2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00	0.00	0.00
2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00	819,057.46	807,324.50
115,013,074.98	12,628,354.89	-37,300,595.30	0.00	-148,278.88	90,192,555.69	174,267,778.12	157,972,419.24

**b) Financial assets**

As of December 31, 2015, the shares in HBG Holzbaustoff Beteiligungs-GmbH, Munich, 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 investment relates to DHN Transportmittel GmbH & Co. KG as well as its general partner. The Group holds 50% of the shares in each company. These companies are also not consolidated as they are of minor importance.

Other loans relate to a silent partnership which was value-adjusted in the previous years.

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

Receivables from shareholders involve the interest-bearing clearing accounts with VVS GmbH and Fritz Homann GmbH. Receivables from affiliated companies are receivables from companies affiliated via the shareholders as well as from companies not included in the consolidated financial statements due to their minor importance. Significant items recognised in other assets are tax refund claims amounting to kEUR 4,857 (previous year: kEUR 8,172) as well as receivables from factoring companies amounting to kEUR 1,657 (previous year: kEUR 2,970). Deferred charges include primarily the prepaid expenses from a special rental payment of kEUR 871 as well as insurance contributions for the time after December 31, 2015. Receivables, other assets and prepaid expenses in the amount of kEUR 16,327 (previous year: kEUR 13,030) have a remaining term of more than one year.

**d) Other securities**

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

	Dec. 31, 2015 kEUR	Dec. 31, 2014 kEUR
Corporate bonds	878	6,145
Poland government bond	0	99
Starhedge S.A.	0	11
Other fund shares	363	52
	1,241	6,307

Of the corporate bonds, an amount of kEUR 778 (previous year: kEUR 6,045) relates to an investment in the bond issued by the company.

**e) Deferred tax assets**

Deferred tax assets totalling kEUR 248 (previous year: kEUR 229) are the result of differing valuation approaches used for the commercial balance sheet and the tax balance sheet. Deferred tax liabilities of kEUR 422 (previous year: kEUR 53) were deducted from these. Additional deferred tax assets of kEUR 2,605 (previous year: kEUR 2,339) were calculated on losses carried forward. The tax payable was determined in accordance with the respective legal form. Tax rates of between 13% and 26.25% were used. Consolidation measures resulted in additional deferred tax assets totalling kEUR 221 (previous year: kEUR 191). The parent company's tax rate of 26.25% was used for consolidation.

**f) Equity**

Subscribed capital, reserves and consolidated unappropriated retained earnings are recognised as **equity**. Pursuant to commercial register entries, the following shareholder relationships existed as of December 31, 2015:

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

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

Group reserves consist of the following:

	Dec. 31, 2015 kEUR	Dec. 31, 2014 kEUR
Exchange differences	-9,238	-9,238
Negative goodwill arising from capital consolidation	82	82
	-9,156	-9,156

The negative goodwill resulting from initial consolidation relates to Homatrans (kEUR 80) and Homanit Verwaltungs GmbH (kEUR 2). In the event of the sale of the shares in these companies, the negative goodwill will be released through profit.

As of December 31, 2015, **consolidated unappropriated retained earnings** amounted to kEUR 5,265. The reconciliation arises from the income statement.

**g) Provisions**

The projected unit credit method based on the "2005 G" tables of Prof. Klaus Heubeck was applied as the actuarial calculation method. The calculation was based on the following assumptions:

	Dec. 31, 2015 kEUR
Interest rate (pursuant to simplification rule of section 253 para. 2 sentence 2 HGB)	4.53 %
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, 2015 an amount of kEUR 60 from the first-time adoption of the German BilMoG Act had not yet been recognised in pension provisions.

In deviation from the above, the parent company exercised its right to elect the average interest rate of the last ten years instead of the average interest rate of the last seven years. This resulted in a difference in accordance with section 253 para. 6 sentence 1 HGB of kEUR 72; i.e. the pension obligation would have to be increased by this amount if the average interest rate of the past seven years were chosen.

The **tax provisions** include settlement arrears from trade and corporate tax payment obligations for 2015 as well as from previous years primarily as a result of tax audits.

**Other provisions** primarily involve obligations to employees. The liabilities resulting from domestic early retirement arrangements are backed by securities. These securities are offset against the underlying liabilities. As of December 31, 2015, a negative difference in the amount of kEUR 867 arose which was recognised in other provisions. The provisions amounted to kEUR 2,256, and the plan assets offset against the latter at fair value amounted to kEUR 1,389. In the income statement, there was a corresponding offsetting of the expenses from compounding against the interest income from the investment of the plan assets.

**h) Liabilities**

Liabilities have the following maturity structure:

<b>December 31, 2015</b>	<b>up to 1 year</b>	<b>1 to 5 years</b>	<b>more than 5 years</b>	<b>total</b>
1. Bonds	0.00	100,000,000.00	0.00	100,000,000.00
2. Silent partnership	1,250,000.00	0.00	4,000,000.00	5,250,000.00
3. Liabilities to financial institutions	48,119,709.27	22,814,455.86	3,454,174.00	74,388,339.13
4. Trade liabilities	22,939,986.35	0.00	0.00	22,939,986.35
5. Liabilities to affiliated companies	30,578.33	0.00	0.00	30,578.33
6. Other liabilities	8,075,738.31	558,760.80	170,399.32	8,804,898.43
	80,416,012.26	123,373,216.66	7,624,573.32	211,413,802.24

<b>December 31, 2014</b>	<b>up to 1 year</b>	<b>1 to 5 years</b>	<b>more than 5 years</b>	<b>total</b>
1. Bonds	0.00	100,000,000.00	0.00	100,000,000.00
2. Silent partnership	1,250,000.00	0.00	4,000,000.00	5,250,000.00
3. Liabilities to financial institutions	40,055,191.27	24,407,955.39	1,237,500.00	65,700,646.66
4. Trade liabilities	28,511,500.55	0.00	0.00	28,511,500.55
5. Liabilities to affiliated companies	55,076.05	0.00	0.00	55,076.05
6. Other liabilities	7,240,719.27	1,400,000.00	0.00	8,640,719.27
	77,112,487.14	125,807,955.39	5,237,500.00	208,157,942.53

On 14 December 2012, the company issued a 5-year corporate bond in the amount of EUR 50 million at the Frankfurt/Main stock exchange. The bond was increased by EUR 25 million each in July 2013 and in May 2014. Interest is payable in arrears on December 14 of each year. The interest rate is 7.0% p.a. The bond is unsecured and unsubordinated. Interest was recognised on an accrual basis as of December 31, 2015.

The silent partnership relates to two contracts with a Saarland-based bank. The first contract relates to a partnership of kEUR 1,250; it was repaid in the first quarter of 2016. A non-profit-related compensation of 3.5% as well as an additional profit-related compensation of 2% is paid.

The second contract relates to a silent partnership in the amount kEUR 4,000 with a term until September 30, 2022. A non-profit-related compensation of 3.5% as well as an additional profit-related compensation of 5% 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. The remaining liabilities are unsecured.

A customer loan amounting to kEUR 1,415 (previous year: kEUR 2,425) was recognised in other liabilities. The customer participated in the financing of investments in technical facilities. This item also includes, in particular, liabilities from the advance financing of an ERP system in the amount of kEUR 2,944 (previous year: kEUR 2,163) and outstanding wages of kEUR 1,047 (previous year: kEUR 1,135) as well as accrued interest under the bond issue in the amount of kEUR 311 (previous year: kEUR 311). Taxes accounted for kEUR 325 (previous year: kEUR 1,030) and social insurance contributions for kEUR 719 (previous year: kEUR 784).



## 7. Notes to the income statement

### a) Revenues

The Group generates its revenues in the following markets:

	2015 kEUR	2014 kEUR
Germany	43,145	51,108
European Union	145,883	140,569
Rest	11,569	11,295
	200,597	202,972

The table below shows a breakdown of revenues by business segments:

	2015 kEUR	2014 kEUR
HDF/MDF boards	200,426	193,992
Homatrade laminated panels	0	8,664
Logistics / technical service	171	316
	200,597	202,972

### b) Other operating income

The main item recognised in other operating income were gains from the sale of fixed assets totalling kEUR 4,794 as well as non-cash exchange gains of kEUR 2,540 (previous year: kEUR 3,952).

The fixed assets sold include certain essential assets which continue to be used under leasing agreements. In addition, insurance refunds of kEUR 918 were recognised for 2015. In the previous year, significant items recognised included gains from the initial consolidation of Homatrade GmbH in the amount of kEUR 2,382.

### c) Expenses for personnel

Expenses for personnel in the amount of kEUR 31,200 (previous year: kEUR 31,218) include expenses for old-age provisions of kEUR 176 (previous year: kEUR 217).

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

	2015	2014
Salaried workers	289	303
Hourly workers	1,081	1,033
Total	1,370	1,336

### d) Other operating expenses

Other operating expenses primarily include freight and sales costs in the amount of kEUR 11,928 (previous year: kEUR 13,335), repair and maintenance costs as well as costs of performance in the amount of kEUR 7,824 (previous year: kEUR 6,304), administrative costs of kEUR 9,822 (previous year: kEUR 7,077) and non-cash exchange losses of kEUR 3,515 (previous year: kEUR 5,174). This item also includes other tax expenses of kEUR 776 (previous year: kEUR 1,485).

### 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 34. In the previous year, they also included write-downs of the silent partnership recognised in financial assets.

**Interest expenses** primarily include interest paid on the bond as well as interest on loans granted by the lending banks. The loans granted to Homanit Krosno stem from the proceeds of the bond and serve to finance investments. Interest relating to the construction phase in the amount of kEUR 3,303. (previous year: kEUR 3,442) was therefore capitalised in the financial year 2015.

#### f) Extraordinary expenses

As in the previous year, extraordinary expenses relate to the expenses for the restructuring process in Losheim (kEUR 323) as well as the adjustment of the pension provisions to the German BilMoG Act, which was recognised as an expense (kEUR 7).

#### g) Income taxes

This item breaks down as follows:

	2015 kEUR	2014 kEUR
Deferred taxes on losses carried forward	249	-58
Deferred taxes from consolidation	-17	47
Deferred taxes resulting from differences between amounts recognised in the commercial balance sheet and amounts recognised in the tax balance sheet	-303	9
Corporate income tax and trade tax from previous years	115	-400
Corporate income tax and trade tax in the financial year	-224	-175
	-180	-577

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

## 8. Contingent liabilities and other financial commitments

No **contingent liabilities** exist.

As of the balance sheet date, other financial commitments amounted to kEUR 8,809 (previous year: kEUR 5,294). These commitments involve rental and leasing agreements. There is also a liability from plant

orders amounting to kEUR 7,293 (previous year: kEUR 5,325). The agreements with three financial institutions for financial instruments used to hedge interest rate and exchange rate risks existing in the previous were terminated with effect from June 30, 2015.

## 9. Other information

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

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.

The fee recognised as an expense in the financial year 2015 pursuant to section 314 para. 1 No. 9 HGB comprises audit services in the amount of kEUR 173 (previous year: kEUR 185), tax advice services in the amount of kEUR 172 (previous year: kEUR 234) as well as other services in the amount of kEUR 2 (previous year: kEUR 17).

Herzberg, 15 April 2016



Fritz Homann

## AUDIT CERTIFICATE OF THE AUDITOR:

We have audited the consolidated financial statements drawn up by Homann Holzwerkstoffe GmbH, Herzberg, comprising the balance sheet, income statement, notes, statement of cash flows, statement of changes in equity, and the Group management report for the financial year from January 1, 2016 to December 31, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with the provisions of German commercial and company law is the responsibility of the company's legal representatives. Our remit is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements pursuant to section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the generally accepted standards for auditing financial statements promulgated by the Institute of Public auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements, prepared in accordance with the German principles of proper accounting, and in the Group management report, are detected with reasonable certainty. Knowledge of the Group's business activities, economic and legal circumstances and expectations concerning possi-

ble errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the consolidated financial statements and the Group management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the annual financial statements of those entities included in consolidation, of the determination of entities to be included in consolidation, of the accounting and consolidation principles applied and the principal estimates made by the legal representatives, as well as an appraisal of the overall view conveyed by the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements for the financial year from January 1, 2015 to December 31, 2015 comply with prevailing legal requirements and convey an accurate and fair view of the Group's net assets, financial position and results of operations in keeping with generally accepted accounting principles. Furthermore, the consolidated management report is in conformity with the consolidated financial statements, provides an accurate description of the Group's overall position and accurately sets out the risks and opportunities inherent in future developments.

Viersen, April 15, 2016

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Wirtschaftsprüfungsgesellschaft

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