



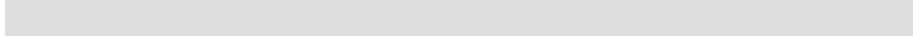
## **Annual Report 2020**





**Annual Report 2020**

**Delignit AG**



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## **Brief portrait of the Delignit Group**

The Delignit Group develops, manufactures and sells ecological, usually hardwood-based, materials and system solutions based on the natural, renewable and CO<sub>2</sub>-neutral raw material wood.

As a development, project and serial supplier for technology industries, such as the automotive industry, aviation industry and railway industry, business activity today is focused on creating and implementing technological and customised applications and systems.

These applications and systems are used in the form of specific – predominantly ready-to-install – parts, components, system solutions and module solutions. The foundation for this is provided by the Delignit material, which is primarily based on beech wood. Use of Delignit materials as a substitute for applications made of non-renewable raw materials improves the environmental balance of our customers' products and meets their increasing ecological requirements.

The Delignit Group's operating business is divided into two target markets:

### **Automotive target market:**

The Automotive target market is divided into the product groups light commercial vehicles (LCV), motor caravans and passenger cars. The business activity focuses on the manufacture and sale of cargo bay protection systems and security systems (interior) for the LCV class. For example, these systems are used extensively by leading manufacturers of light commercial vehicles as original equipment (OEM) and retrofit equipment (after-sales) as cargo bay floors, walls and partition walls. Interior furnishings, such as cabinet systems, are supplied for the motor caravan sector. In the passenger car sector, for example, trunk covers are used by well-known OEMs.

### **Technological Applications target market:**

The products of the Technological Applications target market are divided into the product groups Building Equipment, Compressed Wood, Railfloor and Special Applications. In the Building Equipment business, for example, flooring solutions for automotive manufacturing plants, as well as for goods distribution centres and beech multiplex assortments are supplied via the timber trade. The Compressed Wood business consists of highly-compressed and medium-compressed materials that are used for plant construction, machine construction and transformer construction applications. The Railfloor business provides manufacturers of rail vehicles with floor system solutions for fulfilment of international fire protection and sound insulation concepts. The Special business includes various special products for applications, such as model making, musical instruments and sports equipment.

## Delignit Group at a glance

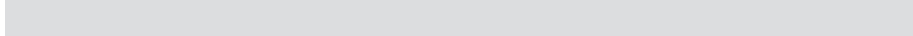
| Fiscal year (01/01 - 31/12)    | 2020<br>IFRS      | 2019<br>IFRS      | Δ 2020/<br>2019 |
|--------------------------------|-------------------|-------------------|-----------------|
| <b>Earnings figures</b>        | <b>€ thousand</b> | <b>€ thousand</b> | <b>%</b>        |
| <b>Revenue</b>                 | <b>58,693</b>     | <b>64,360</b>     | <b>-8.8 %</b>   |
| Total operating performance    | 57,414            | 67,627            | -15.1 %         |
| Cost of materials              | -31,119           | -40,585           | -23.3 %         |
| Staff costs                    | -15,398           | -16,556           | -7.0 %          |
| Other operating expenses       | -5,278            | -5,669            | -6.9 %          |
| EBITDA                         | 5,619             | 4,817             | 16.6 %          |
| <i>EBITDA margin</i>           | <i>9.8 %</i>      | <i>7.1 %</i>      | <i>2.7 % *</i>  |
| EBIT                           | 3,030             | 2,328             | 30.2 %          |
| <i>EBIT margin</i>             | <i>5.3 %</i>      | <i>3.4 %</i>      | <i>1.8 % *</i>  |
| EBT                            | 2,779             | 2,044             | 36.0 %          |
| <i>EBT margin</i>              | <i>4.8 %</i>      | <i>3.0 %</i>      | <i>1.8 % *</i>  |
| <b>Consolidated net income</b> | <b>2,083</b>      | <b>1,399</b>      | <b>48.9 %</b>   |
| Number of shares               | 8,193,900         | 8,193,900         | 0.0 %           |
| EPS in €                       | 0.25              | 0.17              | 48.9 %          |

| <b>Statement of financial position figures</b> | <b>€ thousand</b> | <b>€ thousand</b> | <b>%</b>       |
|--|-------------------|-------------------|----------------|
| Non-current assets                             | 18,257            | 20,842            | -12.4 %        |
| Current assets                                 | 19,593            | 19,307            | 1.5 %          |
| Cash and cash equivalents contained therein    | 4,898             | 1,499             | 226.8 %        |
| Subscribed capital (share capital)             | 8,194             | 8,194             | 0.0 %          |
| Other equity                                   | 13,477            | 11,408            | 18.1 %         |
| Total equity                                   | 21,671            | 19,602            | 10.6 %         |
| <i>Equity ratio</i>                            | <i>57.3 %</i>     | <i>48.8 %</i>     | <i>8.4 % *</i> |
| Non-current liabilities and provisions         | 6,527             | 8,074             | -19.2 %        |
| Current liabilities and provisions             | 9,652             | 12,473            | -22.6 %        |
| <b>Total assets</b>                            | <b>37,850</b>     | <b>40,149</b>     | <b>-5.7 %</b>  |
| Net financial debt (net debt (-)/net cash (+)) | -3,658            | -9,576            | -61.8 %        |

### Employees (reporting date 31/12)

|         |     |     |        |
|---------|-----|-----|--------|
| Germany | 370 | 390 | -5.1 % |
|---------|-----|-----|--------|

\* Change in percentage points, differences due to commercial rounding





## Greetings from the Management Board

Dear shareholders,  
Dear employees,

We find ourselves looking back on what can only be described as an extraordinary year. The world economy was significantly impacted by the COVID-19 pandemic, and it was inevitable that an unprecedented crisis of this nature would have an impact on the Delignit Group. Our revenue declined significantly in the first half of the year as a result of the pandemic. In recognition of this, we took swift action and initiated extensive measures in spring 2020 in order to protect our employees' health while also ensuring the economic performance of the Delignit Group and our ability to reliably supply our customers. We would like to take this opportunity to express our gratitude to all of our employees for the outstanding performance they once again demonstrated in 2020. On behalf of the Management Board, we are delighted that you, dear Delignit team, were responsible for creating the conditions that allowed us to pay a coronavirus bonus to all Delignit Group employees who have been affected by short-time work. You have truly earned it!

All in all, we were extremely successful in cushioning the financial impact of the pandemic in the past fiscal year. Although our consolidated revenue declined by 8.8 %, from € 64.4 million in the previous year to € 58.7 million, we significantly improved our profitability. Our operating earnings were extremely encouraging, with EBITDA, i.e. earnings before interest, taxes, depreciation and amortisation, amounting to € 5.6 million (previous year: 4.8 million). This corresponds to an EBITDA margin based on total operating performance of around 9.8 % (previous year: 7.1 %). Net financial debt also developed positively, falling to € 3.7 million at the end of 2020 compared with € 9.6 million in the previous year.

The decline in revenue was attributable in particular to the plant closures at numerous automotive customers in the first half of 2020 in response to the pandemic. We responded immediately by adjusting our capacities, making use of short-time work and even suspending production in line with demand. Substantially higher demand in the second half of 2020 and the stabilisation of the call-off situation in the light commercial vehicle (LCV) business were not sufficient to fully offset the revenue downturn.

The motor caravan business saw moderate revenue growth in fiscal year 2020, although the pandemic meant that volumes were considerably lower than forecast. At the same time, the measures we took in the middle of last year led to a continuous improvement in our cost structure, thus significantly reducing the negative impact on earnings for the serial supply contract.

Irrespective of the ongoing challenges posed by the COVID-19 pandemic, the Delignit Group began 2021 with extremely positive business performance. In light of this successful start to the year and the good economic conditions at present, particularly in the Automotive target market, we expect to generate total revenue of more than € 67 million and an EBITDA margin based on total operating performance of at least 9 % in the current fiscal year. This forecast revenue and earnings growth serves as confirmation of the Delignit Group's strategic orientation and supports our confidence that we will be able to continue on our well-established growth path with increasing profitability. However, the future course of business remains subject to considerable uncertainty as a result of the ongoing COVID-19 pandemic and the recently reported supply shortages of electronic components.

Last but not least, we would like to express our particular gratitude to our business partners for their constructive, trust-based cooperation – and of course to you, dear shareholders, for the confidence you have continued to place in Delignit AG even in these unusual times.

Blomberg, April 2021

Kind regards,



Markus Büscher  
CEO



Thorsten Duray  
CSO

## The Management Board

### Markus Büscher

Markus Büscher is Chairman of the Management Board. His responsibilities include the areas Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D divisions as well as Investor Relations. Mr Büscher is a business economist (VWA). Until 2003, Mr Büscher was commercial director and company officer with statutory authority at klr-mediapartner GmbH & Co. KG. In 2003, Mr Büscher moved to Freund Victoria Gartengeräte GmbH as managing director, where he was responsible for the main areas of the company as spokesman for the management board. In 2007 he joined the Delignit Group as Managing Director.

### Thorsten Duray

Thorsten Duray is a member of the company's Management Board. He is responsible for marketing and sales. Mr Duray completed professional training as an industrial manager and business administrator in the field of marketing. Since 1991 he has worked for Blomberger Holzindustrie GmbH in various positions, initially in sales promotion and marketing. Since 2001, he has significantly built up the Commercial Vehicle Equipment unit as Team Leader Sales. In 2006 he became Head of Sales and Marketing. Since 1 January 2007 he has been a member of the Management Board of Blomberger Holzindustrie GmbH.



The Management Board team  
Markus Büscher (CEO) and Thorsten Duray (CSO)

## Report of the Supervisory Board

### 1. Reporting

In accordance with the duties and responsibilities imposed by law and the Articles of Association, the Supervisory Board was continuously informed of the business and strategic development of the company, as well as current events and all material business transactions during the fiscal year. Thus, the Supervisory Board was always aware of the business policy, the planning of the company, the risk situation, as well as the net assets, financial position and results of operations of Delignit AG and the Delignit Group.

This occurred both in regular personal discussions between the Chairman of the Supervisory Board and the members of the Management Board and in the course of the Supervisory Board meetings held on 18 March 2020, 26 May 2020, 25 August 2020 and 20 November 2020, in which all Supervisory Board members participated personally. As part of the individual meetings, the Supervisory Board together with the Management Board analysed the current business development and discussed the strategic orientation. If specific transactions required the approval of the Supervisory Board in accordance with the Articles of Association or legal provisions, the Supervisory Board reviewed these transactions and decided on the approval of these transactions. The discussions extended to the economic situation of Delignit AG, as well as that of the individual subsidiaries. Moreover, outside the meetings, all members of the Supervisory Board were kept informed by the Management Board concerning the course of these transactions at all times. There were no indications of conflicts of interest on the part of members of the Management Board and Supervisory Board, which must be disclosed to the Supervisory Board without delay.

In fiscal year 2020, a key focus of the regular exchange between the Supervisory Board and the Management Board was the impact of the corona pandemic. Discussion points were ongoing aspects and measures for the health protection of the workforce, the status of international markets and their anticipated development as well as the status and effectiveness of the best possible preservation of the economic substance of the company.

Furthermore, the Supervisory Board addressed the equal participation of women and men in management positions in the past fiscal year and discussed this with the Management Board. At present, all members of the Supervisory Board (three) and the Management Board (two) are men. The Supervisory Board has the conviction that the key criteria for selecting management must be professional and personal suitability. At the same time, when filling new positions in company management bodies it is the objective to pay increased attention to increasing the share of women (diversity).

## **2. Organisation**

Personnel changes did not occur in Supervisory Board or in the Management Board. The Supervisory Board of Delignit AG has three members. This assures efficient work. In the opinion of the Supervisory Board, this number of Supervisory Board members is appropriate for the size of the company. For these reasons, the Supervisory Board has not yet formed any committees. The Supervisory Board of Delignit AG consists of Dr Christof Nesemeier, Mr Gert-Maria Freimuth and Mr Anton Breilkopf. The Supervisory Board was elected in its current composition when the company became a public limited company on 9 July 2007 and was re-elected in its previous composition in the Annual General Meeting of 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as Chairman and Mr Gert-Maria Freimuth as his Deputy, on 20 June 2017. The term in office ends at the close of the Annual General Meeting that decides on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

## **3. Annual financial statements**

The Supervisory Board duly engaged Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the auditors appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements for fiscal year 2020. The auditor has submitted a declaration of independence to the Supervisory Board.

The annual financial statements of Delignit AG as at 31 December 2020 were prepared in accordance with the principles of the German Commercial Code (HGB), the consolidated financial statements and the group management report for Delignit AG as at 31 December 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) and audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which was elected by the Annual General Meeting and engaged by the Chairman of the Supervisory Board, and an unqualified audit opinion was issued on 12 March 2021 for Delignit AG and for the Delignit Group. Moreover, the report of the Management Board of Delignit AG concerning the relationships to affiliated companies in accordance with Section 312 of the German Stock Corporation Act (AktG) (dependency report) was audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, and an unqualified audit opinion was issued on 12 March 2021.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the group management report, the consolidated financial statements, the proposal for the appropriation of net retained profits and the dependent company report in accordance with Sections 171, 314 AktG, discussed them in detail with the auditor at the Supervisory Board meeting on 16 March 2021 and received reports from the auditor on the main results of its audit, including the audit of the internal control system and risk management system. The auditor comprehensively answered all questions posed by the Supervisory Board. The Supervisory Board received the auditor's reports in good time and acknowledged and approved the results of the audit. Following the concluding result of the review undertaken by the Supervisory Board, no objections were raised concerning the annual financial statements, the proposal for appropriation of earnings, the group management report, the dependent company report, the declaration by the Management Board concerning relations with affiliated companies and the consolidated financial statements. The annual financial statements and the consolidated financial statements were approved by the Supervisory Board on 16 March 2021. The annual financial statements of Delignit AG are thus adopted.

The Supervisory Board shares the Management Board's assessment of the situation in the group management report and concurs with the Management Board's proposal for the appropriation of net profits.

The Supervisory Board would like to thank the Management Board, the management of the Group companies and all employees of the Delignit Group for their outstanding commitment in the extraordinarily challenging fiscal year 2020 and in particular for the circumspection in dealing with the COVID-19 pandemic and finally for the good results.

Berlin, March 16, 2021



Dr Christof Nesemeier  
Chairman of the Supervisory Board

## The Supervisory Board

### **Dr Christof Nesemeier**

Chairman of the Supervisory Board

Dr Christof Nesemeier is Chairman of the Supervisory Board of Delignit AG. He is a member of the Board of Directors and Managing Director (CEO) of MBB SE, Berlin, a member of the Supervisory Board of Aumann AG, Beelen, and Chairman of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt, and Friedrich Vorwerk Management SE, Tostedt. Dr Nesemeier studied economics at the University of Münster and received his doctorate at the University of St. Gallen, Switzerland.

### **Gert-Maria Freimuth**

Deputy Chairman of the Supervisory Board

Mr Gert-Maria Freimuth is the Deputy Chairman of the Supervisory Board of Delignit AG. He is also the Chairman of the Board of MBB SE, Berlin, the Chairman of the Supervisory Board of DTS IT AG, Herford, the Chairman of the Supervisory Board of Aumann AG, Beelen, and the Deputy Chairman of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt (until 10 February 2021) and Friedrich Vorwerk Management SE, Tostedt (until 10 February 2021). Mr Freimuth studied economics and Christian social ethics at the University of Münster and is a founding shareholder of MBB SE alongside Dr Nesemeier.

### **Anton Breitkopf**

Member of the Supervisory Board

Mr Anton Breitkopf studied business administration at the Cologne University of Applied Sciences and worked in finance and controlling at Daimler Benz until 1998. He is a member of the Board of MBB SE, Berlin, the Deputy Chairman of the Supervisory Board of DTS IT AG, Herford, and a member of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt (until 10 February 2021) and Friedrich Vorwerk Management SE, Tostedt (until 10 February 2021).



Dr Christof Nesemeier  
Chairman of the Supervisory  
Board



Gert-Maria Freimuth  
Deputy Chairman of the  
Supervisory Board



Anton Breitkopf  
Member of the Supervisory  
Board

## **Group management report for fiscal year 2020 Delignit AG, Blomberg**

### **1. General description of the company**

The Delignit Group develops, produces and sells ecological materials and system solutions made of renewable raw materials under the brand name Delignit. As a recognised development, project and serial supplier of leading automotive groups, the Delignit Group is, among other things, world market leader for supplying the automotive industry with cargo bay protection and cargo securing systems for light commercial vehicles. With a variety of applications and a vertical integration that are unique in its industry, the Delignit Group serves numerous other technology sectors, for example as a worldwide system supplier of reputable rail vehicle manufacturers. Delignit solutions have exceptional technical properties and are also used, among other things, as trunk floors in passenger cars, interior equipment for motor caravans and special floors for factory and logistics buildings and to improve building security standards. Delignit material is predominantly based on European hardwood, is CO<sub>2</sub>-neutral in its life cycle and therefore ecologically superior to non-regenerative materials. The use of the Delignit material therefore improves the environmental performance of customer products and meets their increasing ecological requirements. The company was founded over 200 years ago. Delignit AG is listed in the Scale Segment of the Frankfurt Stock Exchange under securities number (WKN) A0MZ4B.

### **2. Business and framework conditions**

The COVID-19 pandemic left its mark on almost all areas of the economy in 2020. According to the German Federal Statistical Office, price-adjusted gross domestic product (GDP) declined by 5.0 % year-on-year in 2020. Following a ten-year growth phase, the COVID-19 pandemic therefore plunged the German economy into a deep recession like the one most recently seen during the financial and economic crisis of 2008/2009. However, preliminary calculations suggest that the overall downturn in 2020 was less pronounced than in 2009, when the economy contracted by 5.7 %. Production in the service and manufacturing industry alike was curtailed by strict contact restrictions, in some cases dramatically. Industry excluding construction, which accounts for a good quarter of the economy as a whole, saw a decline in price-adjusted economic output of 9.7 % compared with 2019, while the manufacturing sector saw a downturn of 10.4 %. In the first half of the year in particular, industry was hard hit by the consequences of the COVID-19 pandemic, which included temporary disruption to global value chains (source: German Federal Statistical Office press release dated 14 January 2021).

Gross investment in assets fell by 3.5 % on a price-adjusted basis, the sharpest drop since the financial and economic crisis of 2008/2009. Investment in equipment – primarily machinery, apparatus and vehicles – declined by 12.5 % year-on-year in 2020 on a price-adjusted basis. According to initial estimates, other investments – which primarily include research and development expenditure – decreased by 1.1 % on a price-adjusted basis (source: German Federal Statistical Office press release dated 14 January 2021). Bucking this trend, however, construction investment increased by 1.5 % over the same period.



The COVID-19 pandemic also had a huge impact on foreign trade, with exports and imports of goods and services decreasing in 2020 for the first time since 2009. On a price-adjusted basis, exports fell by 9.9 % while imports declined by 8.6 %. Imports of services saw a particularly pronounced downturn largely because this sector relies to a considerable extent on tourism, which declined significantly (source: German Federal Statistical Office press release dated 14 January 2021).

In its autumn forecast on 22 October 2020, the European Commission stated that economic activity throughout Europe suffered a severe shock in the first half of the year, temporarily recovering in the third quarter only to be significantly disrupted once again by the resurgence of the pandemic in autumn 2020. In its autumn forecast, the European Commission now expects the economy in the euro area to have contracted by 7.8 % in 2020. Within the EU, there is considerable variation when it comes to the economic impact of the pandemic. This is due to the spread of the virus, the public health measures taken to contain it, the sectoral composition of the national economies and the effectiveness of national policy measures (source: European Commission Autumn Forecast 2020).

The special target markets of the Delignit Group, i.e. the markets in the automotive sector and the engineered wood industry, were also hit by the pandemic to a differing degree. While the negative impact on the automotive industry was considerable, the engineered wood industry was only affected to a relatively moderate extent.

Following growth of 2.8 % in 2019, the number of new registrations of light commercial vehicles in the European Union declined by 17.6 % year-on-year in 2020. The larger markets for light commercial vehicles also saw a pronounced downturn in 2020, with the number of new registrations between January and December 2020 falling by 16.1 % year-on-year in France, by 15.0 % in Italy and by 26.5 % in Spain (source: ACEA).

In the period from January to December 2020, the number of new registrations of light commercial vehicles in Germany, a market important for the Delignit Group, decreased by 12.2 % compared with the previous year. During the same period, new car registrations also slumped by 23.7 % in the European Union and 19.1 % in Germany (source: ACEA).

In the markets of the engineered wood industry, sales in Germany decreased between January and September 2020. Following a good first quarter with above-average domestic sales growth of 3.0 % year-on-year, the lockdown meant that sales in Germany in April and May fell by 12.6 % and 17.2 % respectively compared with the same month of the previous year. As monthly sales in the engineered wood industry have returned to above the respective prior-year level since June 2020, the overall year-on-year downturn in sales in the first three quarters was moderate at -0.3 %. Foreign sales in the engineered wood industry saw similar development, although monthly sales from June 2020 onwards exceeded the respective prior-year level only in September. All in all, foreign sales in the engineered wood industry declined by 5.6 % compared with the same period of the previous year (source: Association of the German Wood-Based Panel Industry).

### 3. Market environment of the Delignit Group

As a result of the lockdown in April and May of the fiscal year, the Delignit Group's revenue fell by 20.6 % year-on-year in the first half of 2020. Some of this downturn was recovered in the second half of the fiscal year, meaning that revenue for the year as a whole declined by just 8.8 % to € 58,693 thousand (previous year: € 64,360 thousand). Despite the lower figure in 2020, the Delignit Group's revenue has increased by an average of 8.6 % annually since fiscal year 2010:

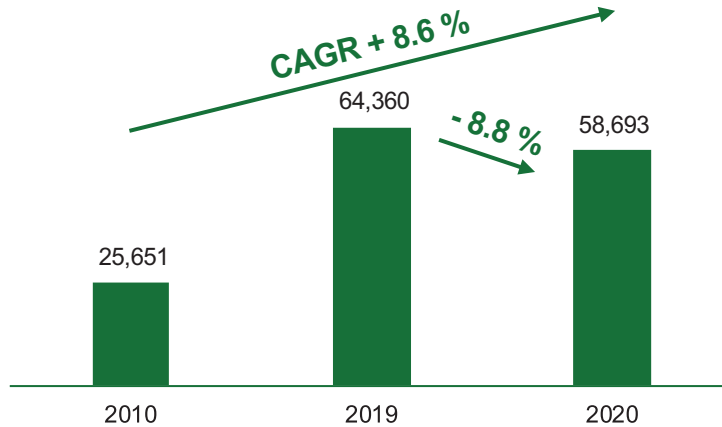


Fig. I: Revenue since 2010 for the Delignit Group in € thousand

In the Automotive target market, the Delignit Group's revenue fell by 7.1 % in the year under review (previous year: +17.8 %), from € 54,967 thousand to € 51,064 thousand. However, development over the course of the year was extremely varied. The rapid spread of the COVID-19 pandemic in Europe led to almost all OEM customers imposing production shutdowns at short notice in the months from March to May. The Delignit Group also responded in a timely manner by largely scaling back its production from late March onwards, with the result that revenue in the Automotive target market declined by 19.6 % in the first half of 2020. The Group avoided further personnel measures by introducing short-time work in the first half of the year and cutting back on temporary workers.

The Delignit Group subsequently enjoyed substantial catch-up effects in the second half of the year, with call-offs from OEM customers increasing tangibly.

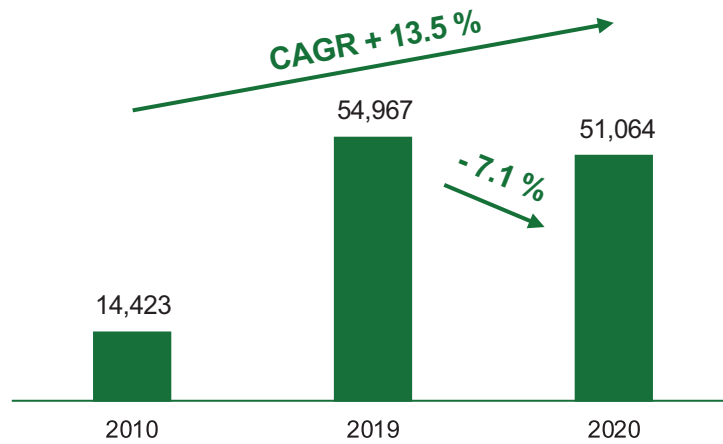


Fig. II: Revenue in Automotive target market since 2010, in € thousand

Following the 31.0 % downturn in the Technical Applications target markets in fiscal year 2019, there was a further substantial decline from € 9,392 thousand to € 7,629 thousand in fiscal year 2020. This was due to the lower production volumes as a result of the COVID-19 pandemic as well as the postponement of major investment projects. In addition, the anticipated decline in revenue in the rail vehicle equipment product group proved larger than expected due to a lack of follow-up orders.

After revenue in the Technical Applications target markets fell by 25.8 % year-on-year in the first half of 2020, the revenue downturn in the second half of the year slowed to 9.7 %.

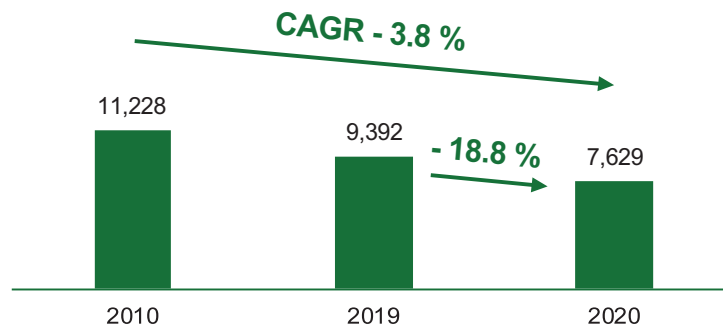


Fig. III: Revenue in Technological Applications target market since 2010, in € thousand

Lower demand from abroad had an adverse effect on the Delignit Group's export revenue. Revenue from exports declined by 7.3 % in the past fiscal year, from € 34,680 thousand to € 32,153 thousand. There was a particularly pronounced downturn in revenue in the European sales markets, whereas the decline in the other countries was cushioned by substantial business growth in the USA.

All in all, the export ratio increased from 53.9 % in the previous year to 54.8 %.

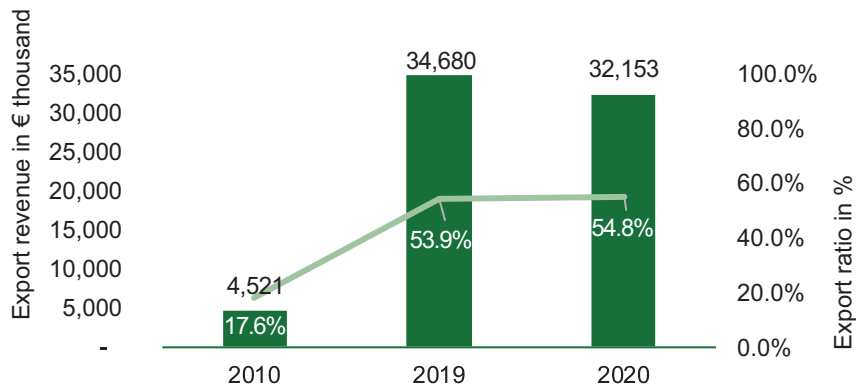


Fig. IV: Exports in € thousand

In summary, the Delignit Group's revenue declined only moderately in the past fiscal year despite the lockdown imposed in response to the COVID-19 pandemic, particularly when compared with the considerably more pronounced downturn in new light commercial vehicle registrations in Europe.

The above-average revenue growth achieved compared with the development in the target markets over several years is evidence of the Delignit Group's excellent market position. Its innovative wood-based products are characterised by special technical and mechanical properties (e.g. abrasion and wear resistance, dimensional stability and breaking load), but also by particular ecological aspects. Wood products are long-term repositories for climate-damaging CO<sub>2</sub>: One cubic metre of wood absorbs almost one tonne of carbon dioxide. Thanks to the growing trend towards renewable raw materials and its outstanding application and system expertise, the Delignit Group enjoys excellent conditions for new and continuous growth over the coming years.

## 4. Organisation

### a. Supervisory Board

The Supervisory Board of Delignit AG comprises Dr Christof Nesemeier, Gert-Maria Freimuth and Anton Breitkopf. It was elected for the first time in its current composition when the company was founded on 9 July 2007 and was re-elected at the General Meetings on 10 July 2012 and 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as Chairman and Gert-Maria Freimuth as his Deputy. The term in office ends at the close of the Annual General Meeting that decides on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

### b. Management Board

The Management Board responsibilities are allocated as follows:

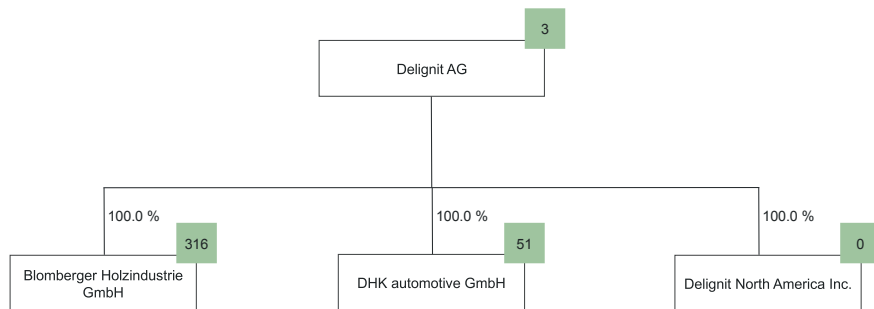
CEO Markus Büscher is responsible for the areas of Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D and Investor Relations. Thorsten Duray is responsible for Sales and Marketing.

An update to the rules of procedure for the Management Board dated 13 July 2007 was adopted by resolution of the Supervisory Board on 25 August 2020. The rules of procedure define which transactions (e.g. planned investments above a set amount and acquisitions and sales of companies and land above a set amount) require the approval of the Supervisory Board. The Management Board has been appointed for a term that will expire on 30 September 2023.

According to the Articles of Association, the company is legally represented jointly by two members of the Management Board or by one member of the Management Board in conjunction with an authorised signatory. The members of the Management Board are also responsible for management in all Group companies together with the local management of these companies.

### c. Shareholdings

As at the end of the reporting period, Delignit AG had a direct or indirect stake in the following companies:



Non-operating unit:  
 Delignit Immobiliengesellschaft mbH (100.0 %)  
 Hausmann Verwaltungsgesellschaft mbH (100.0 %)

Companies with which shared ownership exists:  
 Delignit AG holds a 17.9 % stake in S.C. Cildro S.A. / S.C. Cildro Service S.R.L.  
 Blomberger Holzindustrie GmbH holds a 24.0 % stake in S.C. Cildro Plywood S.R.L.

■ Number of employees at 31 Dec, 2020

Figure V: Organisation chart of the Delignit Group

### d. Employees

The Delignit Group avoided the need to relinquish employees as a result of the pandemic by making systematic use of the tool of short-time work in the second quarter. The order situation during the second half of the year meant that the utilisation of production capacities returned to a good level. Natural fluctuation meant that the number of employees declined from 390 at the start of the year to 370 at the end of the year. In addition, up to 51 temporary workers were employed (previous year: 58) in order to compensate flexibly for bottlenecks in production depending on delivery dates. Other peak order periods were covered by placing contract manufacturing orders with external companies.

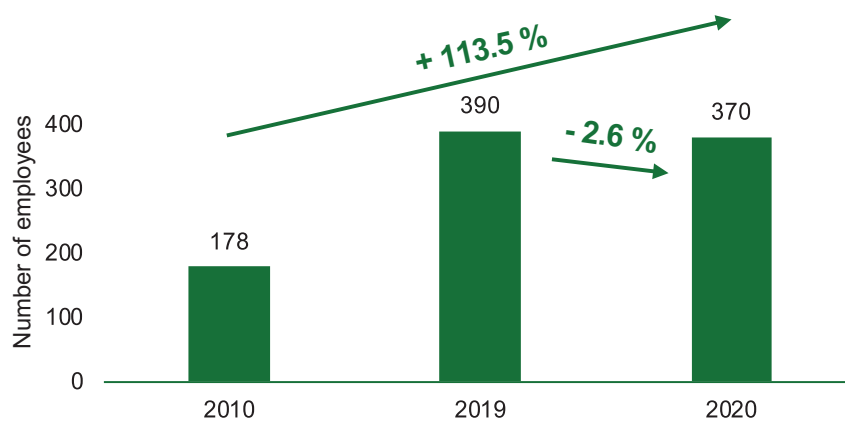


Fig. VI: Staff levels since 2010

The companies of the Delignit Group are well-known as training companies that systematically build up their employees' qualifications, including on the basis of a professional quality management system, and integrate them into the continuous improvement process of operational flows. This process was continued with intensive integration of the workforce in fiscal year 2020. Training continued at the Delignit Group companies in fiscal year 2020, and this important tool for attracting qualified employees will continue to be used and systematically expanded in future.

## 5. Net assets, financial position and results of operation

The Delignit Group experienced a challenging fiscal 2020. The primary goal was to adjust capacities to reflect the considerable fluctuations in call-offs as a result of the pandemic while also continuously improving the production of equipment components for the new motor caravans target market that began in the previous year. Both of these goals were realised, resulting in a substantial improvement in margins.

### Results of operations

In 2020, the Delignit Group achieved revenue of € 58,693 thousand (previous year: € 64,360 thousand). Revenue was down 8.8 % year-on-year as at the reporting date compared with 20.6 % at the end of the first half of 2020, meaning that some of the downturn in the first six months was offset by improved revenue performance in the second half of the year. Revenue in the second half of the year was 3.1 % higher than in the same period of the previous year. It includes around € 1 million in non-recurring effects from oncharging costs for additional expenses incurred in the previous year in particular, for which an agreement was reached in fiscal year 2020. Total operating performance, including other operating income and inventory changes, declined by 15.1 % due to pandemic-related production cuts and amounted to € 57,414 thousand (previous year: € 67,627 thousand).

The cost of materials amounted to 54.2 % of total operating performance, up significantly on the prior-year level of 60.0 %. The main reasons for this are the insourcing of purchased services, the reduction of temporary workers in production and an altered product mix, which was primarily characterised by the temporary and almost total disappearance of OEM business in the first half of the year.

Staff costs amounted to € 15,398 thousand compared with € 16,556 thousand in the previous year, a reduction of € 1,158 thousand. The decline in staff costs is primarily due to the introduction of short-time work in the first half of the year from March 2020 onwards. The positive effect of short-time work was smaller than the decline in total operating performance, as the significant reduction in temporary workers is recognised in the cost of materials and purchased services. The personnel costs ratio therefore increased from 24.5 % in the previous year to 26.8 %. This is offset by refunds of the employer's contribution to social security of € 266 thousand, which are recognised under other operating income.

Other operating expenses declined by € 391 thousand compared with the previous year. Despite additional expenditure for necessary fire protection measures, this development was due in particular to the low level of machine utilisation as a result of the operational shutdowns in the first half of the year in particular, which led to lower maintenance and repair costs for wear and tear. At the same time, the other operating expenses ratio increased from 8.4 % in the previous year to 9.2 %.

EBITDA in the past fiscal year amounted to € 5,619 thousand (previous year: € 4,817 thousand), meaning it increased by 16.6 % despite the lower level of revenue (previous year: decrease of 14.6 %). This corresponds to an EBITDA margin of 9.8 % based on total operating performance, after 7.1 % in the previous year. This was driven in particular by the improved margin for the manufacturing of components for motor caravan equipment. Initial difficulties concerning a major order in this area meant that an unplanned loss in an almost seven-figure amount was incurred in the previous year. As mentioned above, income also includes non-recurring effects of around € 1 million from oncharging costs.

Depreciation and amortisation was largely unchanged at € 2,589 thousand in fiscal year 2020 compared with € 2,489 thousand in the previous year. No significant investments were made in the year under review.

In line with the above development, EBIT increased to € 3,030 thousand in the past fiscal year after € 2,328 thousand in the previous year.

Future-oriented costs for product development remained at a high level in fiscal year 2020. Costs amounting to € 151 thousand (previous year: € 195 thousand) were recognised for external development contracts and certification. In addition, there were expenses for internal testing and validation, as well as the costs of the development department. Due to the general character of development activities in the past fiscal year, costs were not capitalised, but were directly recognised as expenses.

## Net assets

As at the reporting date, fixed assets amounted to € 17,098 thousand (previous year: € 19,265 thousand). This primarily includes the values of land and machines. Thanks to optimised material flows, inventories were reduced from € 15,157 thousand in the previous year to € 11,101 thousand in the year under review. The increase in current receivables from € 1,800 thousand to € 3,157 thousand is due to the high level of revenue in the last two months of the fiscal year. Other receivables were reduced by a further € 413 thousand year-on-year.

Current provisions were primarily recognised for uncertain liabilities and personnel costs. Current liabilities primarily include liabilities from taxes, as well as from wages and salaries. As at the balance sheet date, the Delignit Group had equity of € 21,671 thousand (previous year: € 19,602 thousand), resulting in an equity ratio of 57.3 % (previous year: 48.8 %). The figure below shows the changes in equity:

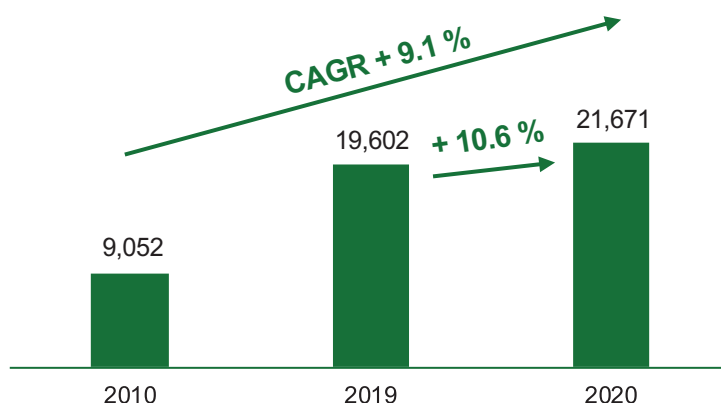


Figure VII: Changes in equity since 2010 in € thousand

## Financial position

The Delignit Group's cash and cash equivalents amounted to € 4,898 thousand as at the end of the reporting period (previous year: € 1,499 thousand). Total liabilities to banks amounted to € 5,341 thousand (previous year: € 7,244 thousand), of which € 3,627 thousand are current. Net debt amounted to € 3,658 thousand as at the reporting date (previous year: € 9,576 thousand). The substantial reduction in net debt was primarily due to the lower level of inventories and the increase in net operating income.

Following extensive investments to establish additional production capacities in the previous year, capital expenditure in the year under review was significantly lower. Net cash used in investing activities amounted to € 469 thousand in 2020 after € 2,864 thousand in the previous year.

Overall, EBITDA and the decrease in working capital resulted in positive cash flow from operating activities of € 6,264 thousand (previous year: € 5,864 thousand).

The Delignit Group has sufficient lines of credit to finance working capital. The company was able to meet its financial obligations at all times.



## 6. Hedging transactions

Transactions within the Group are carried out exclusively on a euro basis. This also applies to Delignit North America Inc. in the USA, which settles in foreign currency only for services obtained in the USA. Since the balance of non-hedged foreign currency positions in the Group due to transactions with foreign companies outside the euro zone has only a minimal volume to date, the Delignit Group has not pursued any active exchange rate hedging relative to other currencies.

## 7. Remuneration report

The remuneration of the Management Board consists of fixed and variable components. The Management Board also receives reimbursement of expenses against receipt. Moreover, the Management Board is also covered by a Group D&O insurance policy with a deductible and an accident insurance policy. In addition, the Management Board also receives a subsidy for private health insurance and long-term care insurance and each member also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to six weeks. Moreover, a virtual stock option programme has been agreed for the Management Board. Also bonuses have been paid out for achievement of various company objectives. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.

The Supervisory Board is remunerated on a fixed basis. The Supervisory Board also receives reimbursement of expenses against receipt. The members of the Supervisory Board each receive an annual fixed basic amount. The Chairman of the Supervisory Board receives twice this basic amount and the Deputy Chairman receives one and a half times this basic amount.

The breakdown of the remuneration of the Management Board and Supervisory Board and a description of the virtual stock option programme is provided in the notes to the consolidated financial statements.

## 8. Risk report

Our risk policy is aimed at taking optimal advantage of the available opportunities while only entering into the risks associated with our business activity when corresponding income can be generated as a result. Accordingly, risk management is an integral element of all business processes and decisions. The following significant risks for further development must be cited:

- The increasing volume of OEM serial supply orders is of the utmost importance in terms of market strategy. However, this also increases the Delignit Group's dependence on specific major customers and the automotive industry as a whole. This situation will be countered through the further development of other customers in this sector or related sectors.

- Security of supply and price rises on the raw materials markets
  - The material supply with round timber must be secured both tactically and strategically. Due to the undiminished strong use of wood as an energy source, it must be assumed that wood will become scarce as a raw material. The Delignit Group is countering the misallocation of round wood as a source of energy without having used it technologically beforehand with the “HolzProKlima” initiative. Moreover, in order to broaden the procurement base, the increasing trend in recent years towards shorter harvest seasons due to weather conditions must be countered by building up other sources of supply.
  - The extreme summer periods in the years since 2018 have caused considerable damage to forests. This has been exacerbated by infestations of bark beetles, which have increased exponentially during the mild winters. This resulted in the emergency felling of coniferous trees in particular. In the case of beech, the type of wood that is most relevant for the Delignit Group, damage was also detected but at a comparatively low level to date. As things stand, the Delignit Group therefore assumes that the supply of high-quality wood is currently secured.
  - Prices for the glues, films and resins used in the engineered wood industry, as well as the purchased energy are directly or indirectly related to the crude oil price.
- On the sales markets, a risk of insolvency or a cancellation of the credit limit for (major) customers can also occur. Possible slumps in sales could be compensated for only in the longer term.
- On the procurement markets, failure of (main) suppliers can occur.
- Country-specific risks result from the ongoing internationalisation of business. The interlinking of international flows of goods, in particular with OEM customers, but also with suppliers, can result in regional unrest or political influences leading to an interruption of the supply chain.
- Risk factors include the aggravation of the COVID-19 in the form of new mutations or the imposition of additional or more stringent public measures to curb the pandemic, both nationally and internationally, as well as the resulting negative consequences for the overall economic situation up to and including a potential recession.
- Changing environmental conditions can impact the ability of the Delignit Group to deliver or pose an obstacle to its procurement. For example, storms and heavy rain can damage buildings and production facilities. Epidemics or pandemics can result in widespread illnesses and production downtime. This can lead to international constraints on the exchange of services, both on the supplier and the customer side, as well as the slowdown of the economy up to and including potential supply chain interruptions.
- International trends or regulations (e.g. WLTP) or growing international protectionism could result in market changes that can be responded to only with a time lag.

- Regional or country-specific risks, liability risks and currency risks can arise from the operations of Delignit North America Inc. in the USA and the resulting business activity in the NAFTA region.
- Due to increased series production start-ups, increasing complexity can also result in cost burdens that cannot be passed on to the customer. For example, issues such as production interruptions (internal and external), increased scrap, necessary additional work effort and consulting services to be purchased are cited here.
- Demographic developments can result in staff shortages and a shortage of skilled workers if business capacity utilisation continues to increase. Moreover, an increased number of collective bargaining agreements in the area of personnel costs can occur. It will be possible to pass on these increased personnel costs to the markets only in part or with a time lag. The Group uses modern human resources instruments to counter personnel risks such as fluctuation, sickness levels, loss of expertise, demotivation, insufficient qualification and competition for specialists and managers. The potential loss of a senior manager naturally constitutes a certain risk.
- The corporate strategy of further internationalisation and also further material qualification is an essential component of the Delignit Group's future success. These requirements are juxtaposed with internally limited capacities. If it is not possible to respond in time to customer requirements, existing or potential customers can turn to alternative solutions. Therefore it is imperative to further increase the consulting, development and application competence in the enterprise. However the operational production capacities must also be aligned to the different new product start-ups.

The Delignit Group counters these risks with various measures. The following measures are cited as examples:

- Quality management system:  
The companies have functional and certified quality management systems.
- Contract management:  
On the one hand, important supplier and customer relationships are secured by long-term delivery contracts. On the other hand, international supply or cooperation agreements are subject to a preliminary legal examination.
- Personnel development:  
The Delignit Group responds to demographic developments with targeted and broadened vocational training and a qualification programme to further extend its technical consulting expertise. Education and training programmes are offered as a means of promoting employee retention.
- Operational investment activity:  
An investment programme tailored to the operational needs is intended to secure further production capacity, leverage rationalisation potential and expand capacities in a targeted manner.
- Supplier management:  
Where possible, a second source of supply should be qualified for all relevant raw materials as a minimum.

## 9. Strategic orientation and opportunities of the Delignit Group

The corporate strategy continues to be based on various megatrends in the technological target markets. In particular, the Delignit Group recognises two ecologically-driven trends:

- Firstly, the endeavour to use renewable raw materials, insofar as these materials are technologically competitive, as a substitute for finite products.
- Secondly, undiminished pressure to develop system solutions that are as weight-optimised as possible.

The trend in forestry in Europe and Germany, in which mixed forests and fully deciduous forests are being prioritised over coniferous forests, is also viewed as an opportunity in the medium term as it offers a means of securing the supply of round wood.

Furthermore, the Delignit Group is increasingly focused on providing technological answers to urgent user questions, partly resulting from new legislation (e.g. CO<sub>2</sub> fleet consumption in the automotive industry), and developing appropriate system solutions. Consequently, the Delignit Group is continuing this successful strategy of combining material, application and system expertise in a targeted manner.

This is being achieved via the methods presented below:

- Material development and qualification:

The Delignit material with its special, primarily technical properties is an essential foundation for the successful development of the Delignit Group. The Delignit Group intends to further develop the Delignit material as part of its development activities and to qualify it for special applications and customer requirements. In fiscal year 2021 intensive efforts will again be undertaken in the product development area. Development is always focused on the principle of developing ecological products for technological applications. Therefore, the market opportunities and advantages that feature a renewable raw material rather than finite raw materials must also be exploited and emphasised.

- Transfer of the business model:

- Geographical transfer

The product innovations that have been successfully placed in the automotive markets in particular are to be used to further extend the market leadership already achieved in Germany in the sector of cargo bay securing systems for light commercial vehicles and to transfer this know-how into other markets. The successes achieved in internationalisation in recent years are to be continued accordingly.

- Transfer from the application perspective  
The multitude of product developments over the past few years is an excellent basis for expansion to additional fields of application. In particular, development activity is currently focusing on the target markets of light commercial vehicles (LCV) in line with the “more revenue per vehicle” strategy.
- But the increasing globalisation of the companies and groups and the associated internationalisation are still also being recognised as a trend and driver. As a result, the Procurement organisation has higher standards regarding suppliers’ system competence. The good market position as a system supplier in the automotive OEM business and also in the railway market is to be exploited in order to acquire additional serial supply orders. The aim is to take advantage of the existing process know-how and our good reputation on the market to achieve further market penetration, which in parallel should result in increased planning security.
- Finally, the raw material advantage of the most sustainable of all materials, namely wood, is to be exploited. The Delignit Group recognises the opportunity to take advantage of the market possibilities through increased emphasis on the ecological factors of “sustainability” and “cascade”.
- The growth strategy is based on diversification in niches on the basis of technological market leadership:



Fig. VIII: Strategic orientation of the Delignit Group

Based on the overall balance of opportunities and risks, the Group believes it is well positioned for the challenges and goals of the future.

## **10. Sustainability / Financial and non-financial performance indicators**

Sustainability is a central entrepreneurial task. Because its main source of raw material is renewable wood, the Delignit Group clearly fulfils both the ecological interpretation of the term as well as the prospective protection of the resource base in an exemplary manner. To additionally reinforce the future viability of the company, work is constantly being done to improve its economic, ecological and social performance:

- Innovations and new technologies are an essential component of the strategic evolution of the Group. Work on this is undertaken constantly as part of an existing continuous improvement process.
- Employees are qualified through intensive training of young people, continuing education in all Group areas, high standards of occupational health and safety and the targeted promotion of future managers.
- The Management Board has stipulated environmental and climate protection as an important corporate target. In addition to the PEFC standards already implemented, for example, there is an energy management system certified in accordance with DIN ISO 50001 and an environmental management system certified in accordance with DIN ISO 14001.
- As a future-oriented employer, the Delignit Group is aware of its social, ethical and ecological responsibility. The Group's key corporate values are set out in the Code of Conduct that was introduced in fiscal year 2021.
- It applies revenue and the EBITDA margin as the main financial performance indicators for controlling and performance measurement.

## **11. Summary of the report concerning relationships with affiliated companies in accordance with Section 312 of the German Stock Corporation Act (AktG)**

For the legal transactions and measures listed in the report concerning the relationships with affiliated companies, in accordance with the circumstances known to us at the point in time, at which the legal transactions were executed or the measures were implemented or omitted, the company received an appropriate consideration for each legal transaction, and the company has not been disadvantaged by the fact that these measures were implemented or omitted.

## 12. Other information

The subscribed equity of € 8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount), each with a calculated interest of € 1.00 in the share capital of the company.

The Supervisory Board determines the number of and appoints Management Board members, concludes their employment contracts and revokes the appointments. The Supervisory Board is also authorised to make amendments to the Articles of Association that relate only to wording.

According to the resolution of the General Meeting of 25 August 2020, the Management Board is authorised to increase the share capital of the company with the approval of the Supervisory Board on one or several occasions until 24 August 2025 by up to a total of € 4,096,950.00 against cash deposits and/or contributions in kind by issuing new no-par value bearer shares (Authorised Capital 2020). The authorisation resolved by the General Meeting of Delignit AG on 26 August 2015 (Authorised Capital 2015) expires when this new authorisation comes into force (Authorised Capital 2020) to the extent that the existing authorisation (Authorised Capital 2015) has not yet been utilised.

In addition, the General Meeting of 25 August 2020 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant bonds with a total amount of up to € 81,939,000.00 and a term of no longer than ten years until 24 August 2025 and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro rata share in the share capital of up to a total of € 4,096,950.00, subject to the specific conditions of the bonds. Convertible bonds may also include conversion obligations. The bonds may be issued in one or several tranches (Contingent Capital 2020).

By resolution of the Annual General Meeting of 4 June 2019, the company was authorised in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase and sell treasury shares in the period until 3 June 2024 in accordance with the principle of equal treatment (Section 53 a AktG) up to an amount of 10.0 % of the share capital at the date of this authorisation. The authorisation can be exercised in full or in part, and on one or more occasions. The purchase can also be carried out by dependent Group companies or by third parties on the company's account. The authorisation may not be used for the purpose of trading in treasury shares.

### 13. Guidance

#### ■ Framework conditions

Despite the challenges in connection with the COVID-19 pandemic, the Delignit Group generated revenue of € 58,693 thousand and an EBITDA margin (based on total operating performance) of 9.8 % in fiscal year 2020. This meant it exceeded the revised forecast that was published in the half-yearly report, which envisaged revenue of € 51 to 56 million in light of the uncertainty relating to COVID-19. Consolidated net income increased significantly compared with the first half of 2020 and the EBITDA margin is higher than originally forecast for 2020.

The statements in the following part of the guidance are based on the operating planning adopted by the Management Board and Supervisory Board of the Delignit Group. This planning is, in turn, based on assumptions concerning the general economic conditions and the development of key markets. The statements made below are based on the state of knowledge at the beginning of 2021.

#### ■ Economic environment of the guidance section

The outlook for overall economic development in Europe in 2021 has returned to a growth forecast.

Although the European Commission states in its 2020 autumn forecast that it expects the European economy to recover in 2021, output in the euro area and the EU is not set to return to pre-pandemic levels until late 2022. Growth of 4.1 % is forecast for the EU economy in 2021, followed by 3.0 % in 2022 (source: European Commission Autumn Forecast 2020).

However, the European Commission notes that this forecast remains subject to exceptionally large uncertainties and risks. The principal risk is a further aggravation of the pandemic, which would require more stringent public health measures and hence have longer and more severe implications for the economy. There is also a risk that the pandemic could leave deeper and more extensive scars on the economy than currently anticipated, e.g. in the form of corporate bankruptcies, long-term unemployment and interruptions to supply. Potential financial market stress is another downside risk (source: European Commission Autumn Forecast 2020).

For the Federal Republic of Germany, the German government states in its Annual Economic Report 2021 that economic momentum is expected to remain moderate at the start of the new year but that the economy will subsequently pick up slightly. For 2021, the German government expects gross domestic product to grow by 3.0 % in price-adjusted terms. Unemployment is set to decline slightly to 5.8 %. The economic environment remains characterised by uncertainty, particularly as a result of the continuing COVID-19 pandemic. Germany's competitiveness and innovative capacity will be strengthened through various reform projects (source: German Federal Government, Annual Economic Report 2021).



All in all, the Delignit Group begins fiscal year 2021 with good conditions for new growth once again.

■ Forecast of the Delignit Group

According to the Association of International Motor Vehicle Manufacturers (VDIK), the market for commercial vehicles is set to grow by 6 % in 2021. In this context and on the back of various large-scale, long-term serial supply contracts, the Delignit Group expects to record new growth in the Automotive target market once again. The motor caravan order made a key contribution to the revenue upturn achieved in the last fiscal year and is expected to remain a driver of further growth in fiscal 2021 (source; VDIK).


In the Technological Applications markets, the Delignit Group expects 2021 to see revenue stabilising at the level recorded in the past fiscal year.

Subject to a stable economy in all of the Delignit Group's markets, call-off volumes in line with OEM tender agreements, stable supply on procurement markets, development of the motor caravan order in line with planning and expenses from the virtual stock option programme for management as in the previous year, the Delignit Group expects revenue in fiscal year 2021 to exceed € 67 million accompanied by an EBITDA margin of over 9 %. However, there remain significant uncertainties and unforeseeable risks for 2021, not least in connection with the potential development of the COVID-19 pandemic.

Blomberg, 12 March 2021



Markus Büscher  
CEO



Thorsten Duray  
CSO

## IFRS consolidated statement of financial position of Delignit AG as at 31 December 2020

### ASSETS

|  | Notes    | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|--|----------|--------------------------|--------------------------|
| <b>A. Current assets</b>                 |          |                          |                          |
| 1. Inventories                           | III. 1.  | 11,101                   | 15,157                   |
| 2. Trade receivables                     | III. 2.  | 3,157                    | 1,800                    |
| 3. Due from affiliated companies         | III. 3.  | 0                        | 1                        |
| 4. Other current receivables/assets      | III. 4.  | 437                      | 850                      |
| 5. Cash and cash equivalents             | III. 5.  | 4,898                    | 1,499                    |
| <b>Current assets</b>                    |          | <b>19,593</b>            | <b>19,307</b>            |
| <b>B. Non-current assets</b>             |          |                          |                          |
| 1. Goodwill                              | III. 6.  | 2,178                    | 2,178                    |
| 2. Other intangible assets               | III. 7.  | 1,096                    | 1,369                    |
| 3. Property, plant and equipment         | III. 8.  | 13,824                   | 15,718                   |
| 4. Other non-current financial<br>assets | III. 10. | 846                      | 1,283                    |
| 5. Deferred tax assets                   | III. 11. | 313                      | 294                      |
| <b>Non-current assets</b>                |          | <b>18,257</b>            | <b>20,842</b>            |
| <b>Assets, total</b>                     |          | <b>37,850</b>            | <b>40,149</b>            |

## EQUITY AND LIABILITIES

|   | Notes        | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---|--------------|--------------------------|--------------------------|
| <b>A. Current liabilities</b>                 |              |                          |                          |
| 1. Other current provisions                   | III. 12./14. | 2,059                    | 1,414                    |
| 2. Current financial liabilities              | III. 13.     | 3,627                    | 4,881                    |
| 3. Trade payables                             | III. 13.     | 2,180                    | 4,145                    |
| 4. Other current liabilities                  | III. 15.     | 1,786                    | 2,033                    |
|   |              | <hr/>                    | <hr/>                    |
| <b>Current liabilities and provisions</b>     |              | <b>9,652</b>             | <b>12,473</b>            |
| <b>B. Non-current liabilities</b>             |              |                          |                          |
| 1. Provisions for pensions                    | III.16.      | 1,100                    | 1,220                    |
| 2. Other non-current provisions               | III.12.      | 174                      | 127                      |
| 3. Deferred tax liabilities                   | III.11.      | 865                      | 1,037                    |
| 4. Non-current financial liabilities          | III.13.      | 1,714                    | 2,363                    |
| 5. Other non-current liabilities              | III.15.      | 2,674                    | 3,327                    |
|   |              | <hr/>                    | <hr/>                    |
| <b>Non-current provisions and liabilities</b> |              | <b>6,527</b>             | <b>8,074</b>             |
| <b>C. Equity</b>                              |              |                          |                          |
| 1. Subscribed capital                         | III. 17.     | 8,194                    | 8,194                    |
| 2. Capital reserves                           | III. 18.     | 1,063                    | 1,063                    |
| 3. Revenue reserves                           | III. 19.     | 3,000                    | 3,000                    |
| 4. Amounts recognised directly in equity      |              | -594                     | -601                     |
| 5. Currency translation reserve               |              | -20                      | 1                        |
| 6. Consolidated net income carried forward    |              | 10,028                   | 7,945                    |
|   |              | <hr/>                    | <hr/>                    |
| <b>Equity</b>                                 |              | <b>21,671</b>            | <b>19,602</b>            |
|   |              | <hr/>                    | <hr/>                    |
| <b>Liabilities, total</b>                     |              | <b>37,850</b>            | <b>40,149</b>            |
|   |              | <hr/>                    | <hr/>                    |

**IFRS consolidated statement of comprehensive income  
of Delignit AG for fiscal year 2020**

|  | Notes         | 2020<br>€ thousand | 2019<br>€ thousand |
|--|---------------|--------------------|--------------------|
| 1. Revenue   | IV. 1.        | 58,693             | 64,360             |
| 2. Other operating income  | IV. 2.        | 585                | 1,228              |
| 3. Inventory changes   |               | -1,864             | 2,039              |
| 4. Cost of materials   | IV. 3.        | -31,119            | -40,585            |
| 5. Staff costs   | IV. 4.        | -15,398            | -16,556            |
| 6. Depreciation of property, plant<br>and equipment and amortisation<br>of intangible assets | IV. 5.        | -2,589             | -2,489             |
| 7. Other operating expenses  | IV. 6.        | -5,278             | -5,669             |
| <b>8. Earnings before interest and<br/>taxes (EBIT)</b>                                      |               | <b>3,030</b>       | <b>2,328</b>       |
| 9. Interest expenses   | IV. 7.        | -251               | -284               |
| 10. Financial result   |               | -251               | -284               |
| <b>11. Earnings before tax (EBT)</b>   |               | <b>2,779</b>       | <b>2,044</b>       |
| 12. Income taxes   | IV. 8.        | -630               | -578               |
| 13. Other taxes  | IV. 8.        | -66                | -67                |
| <b>14. Consolidated net income</b>   |               | <b>2,083</b>       | <b>1,399</b>       |
| <b>15. Earnings per share in €</b>   | <b>IV. 9.</b> | <b>0.25</b>        | <b>0.17</b>        |
| 16. Consolidated net income  |               | 2,083              | 1,399              |
| 17. Actuarial gains/losses from pension<br>obligations                                       | II. 15.       | 7                  | -33                |
| <b>18. Other consolidated net income</b>   |               | <b>7</b>           | <b>-33</b>         |
| <b>19. Total comprehensive income<br/>including OCI</b>                                      |               | <b>2,090</b>       | <b>1,366</b>       |

|  | Notes | 2020<br>€ thousand | 2019<br>€ thousand |
|--|-------|--------------------|--------------------|
| 20. Actuarial gains/losses from pension obligations                    |       | -7                 | 33                 |
| <b>21. Total comprehensive income excluding OCI</b>                    |       | <b>2,083</b>       | <b>1,399</b>       |
| 22. Result carried forward   |       | 7,946              | 9,957              |
| 23. Allocation to retained earnings                                    |       | 0                  | -3,000             |
| 24. Dividend payment   |       | 0                  | -410               |
| <b>25. Total comprehensive income including result carried forward</b> |       | <b>10,029</b>      | <b>7,946</b>       |

## IFRS consolidated statement of changes in equity of Delignit AG, Blomberg, as at 31 December 2020

|   | Subscribed capital<br>€ thousand | Capital reserve<br>€ thousand | Retained earnings<br>€ thousand | Reserve for pensions (OCI)<br>€ thousand | Currency translation<br>€ thousand | Consolidated net income<br>€ thousand | Total equity<br>€ thousand |
|---|----------------------------------|-------------------------------|---------------------------------|--|------------------------------------|---------------------------------------|----------------------------|
| <b>As at 31 December 2018</b>                           | <b>8,194</b>                     | <b>1,063</b>                  | <b>0</b>                        | <b>-568</b>                              | <b>0</b>                           | <b>9,957</b>                          | <b>18,646</b>              |
| Dividend payment  | 0                                | 0                             | 0                               | 0  | 0                                  | -410                                  | -410                       |
| Amounts recognised directly in equity (after tax) [OCI] | 0                                | 0                             | 0                               | -33                                      | 1                                  | -1                                    | -33                        |
| Consolidated net income                                 | 0                                | 0                             | 3,000                           | 0  | 0                                  | -1,601                                | 1,399                      |
| <b>Total comprehensive income</b>                       | <b>0</b>                         | <b>0</b>                      | <b>3,000</b>                    | <b>-33</b>                               | <b>1</b>                           | <b>-2,012</b>                         | <b>956</b>                 |
| <b>As at 31 December 2019</b>                           | <b>8,194</b>                     | <b>1,063</b>                  | <b>3,000</b>                    | <b>-601</b>                              | <b>1</b>                           | <b>7,945</b>                          | <b>19,602</b>              |
| Dividend payment  | 0                                | 0                             | 0                               | 0  | 0                                  | 0                                     | 0                          |
| Amounts recognised directly in equity (after tax) [OCI] | 0                                | 0                             | 0                               | 7  | -21                                | 0                                     | -14                        |
| Consolidated net income                                 | 0                                | 0                             | 0                               | 0  | 0                                  | 2,083                                 | 2,083                      |
| <b>Total comprehensive income</b>                       | <b>0</b>                         | <b>0</b>                      | <b>0</b>                        | <b>7</b>                                 | <b>-21</b>                         | <b>2,083</b>                          | <b>2,069</b>               |
| <b>As at 31 December 2020</b>                           | <b>8,194</b>                     | <b>1,063</b>                  | <b>3,000</b>                    | <b>-594</b>                              | <b>-20</b>                         | <b>10,028</b>                         | <b>21,671</b>              |

**IFRS consolidated cash flow statement of Delignit AG, Blomberg,  
as at 31 December 2020**

|   | 2020<br>€ thou-<br>sand | 2019<br>€ thou-<br>sand |
|---|-------------------------|-------------------------|
| <b>1. Cash flow from operating activities</b>                                   |                         |                         |
| Earnings before interest and taxes (EBIT)                                       | 3,030                   | 2,328                   |
| Depreciation on fixed assets  | 2,589                   | 2,489                   |
| Decrease (-)/increase (+) in provisions   | 31                      | -701                    |
| Other non-cash income and expenses  | -60                     | -101                    |
| <b>Subtotal</b>   | <b>5,590</b>            | <b>4,015</b>            |
| Change in working capital:  |                         |                         |
| Decrease (+)/increase (-) in inventories,<br>trade receivables and other assets | 3,460                   | 214                     |
| Decrease (-)/increase (+) in trade payables and<br>other liabilities            | -2,596                  | 1,988                   |
| <b>Subtotal</b>   | <b>864</b>              | <b>2,202</b>            |
| Income tax payments   | -190                    | -353                    |
| <b>Cash flow from operating activities</b>                                      | <b>6,264</b>            | <b>5,864</b>            |
| <b>2. Cash flow from investing activities</b>                                   |                         |                         |
| Investments (-) in intangible assets  | -16                     | -294                    |
| Investments (-) in property, plant and equipment                                | -453                    | -2,570                  |
| <b>Cash flow from investing activities</b>                                      | <b>-469</b>             | <b>-2,864</b>           |
| <b>3. Cash flow from financing activities</b>                                   |                         |                         |
| Payments for dividends  | 0                       | -410                    |
| Proceeds from the taking up financial loans                                     | 0                       | 1,967                   |
| Payments for the repayment of financial loans                                   | -1,903                  | -2,845                  |
| Payments for the principal portion of the lease                                 | -242                    | -227                    |
| Interest payments   | -251                    | -284                    |
| Investment subsidies received   | 0                       | 0                       |
| <b>Cash flow from financing activities</b>                                      | <b>-2,396</b>           | <b>-1,799</b>           |
| <b>Cash and cash equivalents at the end of the period</b>                       |                         |                         |
| Net change in cash and cash equivalents<br>(total of individual cash flows)     | 3,399                   | 1,201                   |
| Cash and cash equivalents at the beginning<br>of the reporting period           | 1,499                   | 298                     |
| <b>Cash and cash equivalents at the end of the reporting period</b>             | <b>4,898</b>            | <b>1,499</b>            |
| <b>Composition of cash and cash equivalents</b>                                 |                         |                         |
| Cash and cash equivalents and credit balances<br>at financial institutions      | 4,898                   | 1,499                   |
| <b>Cash and cash equivalents at the end of the period</b>                       | <b>4,898</b>            | <b>1,499</b>            |

# **Delignit AG, Blomberg**

## **Notes to the consolidated financial statements for 2020**

### **I. Methods and principles**

#### **Basic information concerning the accounting**

##### **1. Information concerning the company**

Delignit AG, Blomberg, with registered office at Königswinkel 2-6, 32825 Blomberg, Germany, is the parent company of the Delignit Group. It is registered in the Commercial Register of the Lemgo District Court under the number HRB 5952. Delignit AG is listed in the Scale Segment of the Frankfurt Stock Exchange under the securities number WKN A0MZ4B. The business activities of Delignit AG together with its subsidiaries include the production and sale of wood-based panels.

The IFRS consolidated financial statements (smallest consolidated group) as at 31 December 2020 are expected to be approved by the Supervisory Board of Delignit AG on 16 March 2021 and subsequently released for publication. The financial statements of Delignit AG will be included in the financial statements of the parent company (largest consolidated group), MBB SE, Berlin, HRB 165458, Berlin-Charlottenburg District Court.

##### **2. Accounting principles**

###### **Principles for preparing the financial statement**

The consolidated financial statements as at 31 December 2020 have been voluntarily prepared while exercising the option specified in Section 315e of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB) valid at the end of the reporting period and as applicable in the EU. The term IFRS also includes the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), which are still valid. The requirements of Section 315a HGB have also been taken into account.

Delignit AG has applied all standards and interpretations that were mandatory as at 31 December 2020.



### Application of new and amended standards

The following IAS/IFRS/IFRIC standards or amendments to these standards, which were required to be applied for the first time or voluntarily under EU law in fiscal year 2020, were recognised in the preparation of the consolidated financial statements of Delignit AG and applied to the consolidated financial statements, if they were relevant.

The following amendments have been reviewed and, where mandatory, taken into account in the consolidated financial statements of Delignit AG:

The following must be applied from 1 January 2020:

| Standard / Interpretation  | Effective in the fiscal year | Endorsed by the EU Commission | Impact |
|--|------------------------------|-------------------------------|--------|
| IFRS 3<br>Definition of a Business   | 2020                         | Yes                           | None   |
| IAS 1 / IAS 8<br>Definition of Material  | 2020                         | Yes                           | None   |
| IFRS 9 / IAS 39 / IFRS 7<br>Interest Rate Benchmark Reform – Phase 1   | 2020                         | Yes                           | None   |
| IFRS 16<br>Covid-19-Related Rent Concessions   | 2020                         | Yes                           | None   |
| Amendments to References to the Conceptual Framework in IFRS Standards<br>Revised Definition of Asset Value and Debt | 2020                         | Yes                           | None   |

For fiscal year 2020, there were no other standards adapted for the first time which has a material impact on the consolidated financial statements.

To be applied from 1 January 2021 or later:

| Standard / Interpretation   | Effective in the fiscal year | Endorsed by the EU Commission | Impact |
|---|------------------------------|-------------------------------|--------|
| IFRS 9 / IAS 39 Interest Rate Benchmark Reform – Phase 2<br>IFRS 7 / IFRS 4<br>IFRS 16                | 2021                         | Yes                           | None   |
| IFRS 4<br>Extension of the Temporary Exemption from Applying IFRS 9                                   | 2021                         | Yes                           | None   |
| IFRS 3<br>Reference to the Conceptual Framework   | 2022                         | Yes                           | None   |
| IAS 37<br>Onerous Contracts – Costs of Fulfilling a Contract  | 2022                         | Yes                           | None   |
| IAS 16<br>PP&E: Proceeds before Intended Use  | 2022                         | Yes                           | None   |
| AIP 2018 – 2020<br>Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41                                 | 2022                         | Yes                           | None   |
| IFRS 17<br>Including Amendments to IFRS 17  | 2023                         | Yes                           | None   |
| IAS 1<br>Classification of Liabilities as Current or Non-current including Deferral of Effective Date | 2023                         | Yes                           | None   |

### 3. Consolidation

#### Consolidated group

The consolidated financial statements include Delignit AG and the following subsidiaries and second-tier subsidiaries:

Blomberger Holzindustrie GmbH, Blomberg (100.0 %)

Hausmann Verwaltungsgesellschaft mbH, Blomberg (100.0 %)

Delignit Immobiliengesellschaft mbH, Blomberg (100.0 %)

DHK automotive GmbH, Oberlungwitz (100.0 %)

Delignit North America Inc., Atlanta/Georgia, USA (100.0 %)

Utilising the option provided for in Section 264 (3) HGB, Blomberger Holzindustrie GmbH did not apply the regulations set out in Title VI of Part I of

Section 2 of Book III of HGB (Sections 289-289a HGB) or Part IV of Section 2 of Book III of HGB (Sections 325 to 329 HGB) in fiscal year 2020.

Moreover, there are still direct investments in the Romanian companies deconsolidated in 2010 which are recognised at amortised cost:

- S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania (24.0 %)
- S.C. Cildro S.A., Drobeta Turnu Severin, Romania (17.9 %)

In addition, Delignit AG indirectly holds 17.9 % of the shares in S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania, which was also deconsolidated in 2010, via S.C. Cildro S.A.

### Consolidated group

The following subsidiaries were included in the consolidated financial statements:

| Name   | Registered office        | Share in % | Equity as at 31/12/2020<br>€ | Net income in the fiscal year<br>€ |
|--|--------------------------|------------|------------------------------|------------------------------------|
| Blomberger Holzindustrie GmbH                            | Blomberg                 | 100        | 3,563,945.95                 | 0.00*                              |
| With its subsidiary Hausmann Verwaltungsgesellschaft mbH | Blomberg                 | 100        | 117,966.28                   | 364.76                             |
| Delignit Immobilien-gesellschaft mbH                     | Blomberg                 | 100        | 674,171.35                   | 356,060.80                         |
| DHK automotive GmbH                                      | Oberlungwitz             | 100        | 3,406,602.67                 | 606,107.81                         |
| Delignit North America Inc.                              | Atlanta/<br>Georgia, USA | 100        | 276,349.12                   | 192,206.09                         |

\*Net income for the year transferred to Delignit AG on the basis of the profit transfer agreement dated 5 April 2017.

The investments in the following companies were included in the consolidated financial statements at amortised cost due to immateriality:

| Name  | Registered office              | Share in % | Equity* RON   | Net income* RON |
|---|--------------------------------|------------|---------------|-----------------|
| S.C. Cildro Plywood S.R.L.                      | Drobeta Turnu Severin, Romania | 24.0       | 10,911,198.96 | 186,302.25      |
| S.C. CILDRO S.A.                                | Drobeta Turnu Severin, Romania | 17.9       | 23,230,518.44 | 1,485,960.49    |
| With its subsidiary S.C. Cildro Services S.R.L. | Drobeta Turnu Severin, Romania | 100        | 1,832,814.61  | 5,139.02        |

\*Unaudited preliminary figures for fiscal year 2020

## Consolidation principles

The financial statements of the subsidiaries are prepared using uniform accounting and measurement principles as also applied by the parent company for its financial statements.

The balance sheet date of the subsidiaries included in the consolidated financial statements is 31 December of the respective calendar year.

Subsidiaries are fully consolidated from the date, on which control is obtained, until the date on which control is no longer present.

Capital consolidation is executed using the purchase method in accordance with IFRS 3. In accordance with this method, the acquisition costs of the acquired shares are offset against the parent company's share of the equity of the acquired subsidiary at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognised at fair value and included in the consolidated statement of financial position. Any excess of the cost of acquisition over the fair value of the net assets attributable to the Group is capitalised as goodwill.

If the fair value of the net assets attributable to Delignit AG is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in profit or loss immediately.

Expenses, income, receivables and liabilities between the fully consolidated companies, as well as inter-company profits from intra-group goods and services are eliminated. Deferred taxes for consolidation adjustments are recognised in income.

## **II. Presentation of accounting and valuation methods**

### **1. General**

The statement of financial position was structured in accordance with current and non-current assets and liabilities. The statement of comprehensive income is prepared in line with the nature of expense method for calculating the consolidated net profit for the period.

Current assets are assets that are sold, consumed or realised in the ordinary course of business, typically within twelve months. As a matter of principle, this term-based classification also applies to current liabilities.

### **2. Reporting currency**

The consolidated financial statements are prepared in euros, since the majority of Group transactions are based on this currency. Unless otherwise indicated, all values are rounded up or down to the nearest thousand euros (€ thousand). For mathematical reasons, rounding differences can occur in the figures and percentages shown. The amounts are given in euros (€) and thousand euros (€ thousand).

### **3. Foreign currency translation**

Delignit North America Inc. calculates its supply business in euro, but to a minor extent services are bought locally in USD. The exchange rate on the balance sheet date was USD 0.8149. The average exchange rate was USD 0.8762.

The investment values of the companies deconsolidated in 2010 accounted for at amortised cost are not translated into euros. The exchange rate on the balance sheet date was RON 4.8694. The average exchange rate was RON 4.8418.

### **4. Intangible assets**

In accordance with IAS 38, intangible assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the company and the acquisition cost or manufacturing cost of the asset can be measured reliably.

Intangible assets not acquired as part of a business combination are initially carried at cost. The acquisition cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

For the purposes of subsequent measurement, intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses (reported under amortisation). Intangible assets (not including goodwill) are amortised on a straight-line basis over their estimated useful life. The depreciation period and the depreciation method are reviewed for appropriateness at the end of each fiscal year.

With the exception of goodwill, the Group has no intangible assets with indefinite useful lives.

Amounts paid for the purchase of industrial property rights and license rights are capitalised and subsequently depreciated on a straight-line basis over their anticipated useful lives.

The cost of acquisition of new software is capitalised and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is depreciated on a straight-line basis over a period of up to 10 years. This corresponds to the expected useful economic life.

Costs incurred in order to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

Costs for research activities are charged as expenses in the period in which they are incurred.

Costs for development activities for projects are capitalised as intangible assets, if the following criteria are present cumulatively. The technical feasibility of completion of the project must be present. The intent and ability to complete the intangible asset and to use it or sell it must be present. An intangible asset is capitalised if it is assumed that the intangible asset will probably generate future economic benefits. Moreover, Delignit AG must have the technical, financial and other resources to conclude the development tasks, and must be able to reliably determine the expenses directly attributable to the project.

If the criteria are not met, development expenditure is recognised as expenses in the period in which it is incurred.

## **5. Goodwill**

Goodwill from business combinations is the residual amount of the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not subject to scheduled depreciation, but rather it is reviewed for impairment at least once a year in accordance with IAS 36 using an impairment test and if necessary subjected to non-scheduled depreciation.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash-generating units, starting from the acquisition date.

## 6. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment expenses. If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are derecognised. Any realised gain or loss from the disposal is reported in the statement of comprehensive income.

The cost of an item of property, plant and equipment consists of the purchase price and other non-refundable purchase taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure, such as servicing and maintenance costs, that is incurred after the non-current asset is put into operation is expensed in the period in which it is incurred. If it is probable that the expenditure will result in the entity receiving an additional future economic benefit in excess of the originally assessed earning power of the existing asset, the expenditure is capitalised as the subsequent acquisition cost of the property, plant and equipment.

Depreciation is calculated on a straight-line basis over the expected useful economic life, assuming a residual value of € 0.00.

The following estimated useful economic lives are used for the individual asset groups:

|                                       |                |
|---------------------------------------|----------------|
| Buildings and exterior installations: | 10 to 25 years |
| Technical equipment and machinery:    | 5 to 15 years  |
| Computer hardware:                    | 3 years        |
| Other office equipment:               | 5 to 13 years  |

The useful life, the depreciation method for property, plant and equipment and the residual values are reviewed periodically.

The recoverability of property, plant and equipment items is reviewed regularly, if necessary on the basis of cash-generating units. If necessary, appropriate value adjustments are made in accordance with IAS 36.

## 7. Accounting for leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the contractual arrangement depends on the use of a specific asset or assets, and whether the arrangement conveys a right to use the asset.

Delignit AG does not act as lessor.

Assets under former finance leases, most of which transfer to Delignit AG all risks and rewards of ownership of the transferred asset, are capitalised at the beginning of the lease term at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Assets are depreciated on a straight-line basis over the lease term or the economic life of the leased asset, whichever is shorter. Lease payments are apportioned between finance charges and the repayment of the lease liability, so as to achieve a constant rate of interest on the residual carrying amount of the liability. The remaining lease payment obligations as at the end of the reporting period are reported separately in the statement of financial position according to their maturities.

Lease payments for leases with a duration of up to one year or for low-value assets, are recognised as expenses in the income statement over the lease term. In line with IFRS 16, non-current leases are capitalised as assets and depreciated over the term of the lease. The present value from the lease payments is recognised as a discounted liability. Interest rates between 0.32 % and 1.52 % were used, depending on the remaining lease term. The interest rates were calculated on the basis of standard interest rates for companies with a comparable rating, increased by a leasing risk premium. In line with IFRS 16, the Group thus accounts for rights of use and lease liabilities for most of these leases, i.e. these leases are reported in the statement of financial position.

## **8. Impairment of assets**

No impairment losses or reversals of impairment losses were recognised for non-current assets in fiscal year 2020. Goodwill and intangible assets with indefinite useful lives are not amortised, but instead are tested for impairment annually or more often if events or changes in circumstances indicate a possible impairment. Other assets are tested for impairment when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of individual assets, they are combined to form cash-generating units. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. With the exception of goodwill, non-financial assets for which impairment losses have been recognised are tested at the end of each reporting period to establish whether there is a need to reverse the impairment losses recognised.



## **9. Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. Qualifying assets were neither acquired nor produced in the fiscal year.

## **10. Inventories**

Inventories are measured at the lower of cost and net realisable value, which is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. The manufacturing costs of work in progress and finished goods include not only the costs for production materials and wages but also pro rata material and production overheads, assuming normal capacity utilisation. Appropriate write-downs were recognised for inventory risks from storage periods and reduced usability. In fiscal year 2020, intragroup profits on inventories at the US company were eliminated for the first time. This did not take place in previous years due to immateriality.

## **11. Financial assets held as current assets**

Financial assets held as current assets consist of trade receivables and other receivables. Trade receivables are stated at the invoice amount minus a valuation allowance based on creditworthiness. Trade receivables are subject to a value adjustment, if it is probable that the full amount of the original invoice cannot be collected. The amount of the value adjustment is equal to the nominal value, less the recoverable amount, which corresponds to the present value of the anticipated cash inflows. The present value of the expected future cash flows is discounted at the original effective interest rate of the financial asset. The carrying amount of the financial asset is reduced by using an impairment account, and the impairment loss is recognised in profit or loss.

## **12. Other current receivables/assets**

Other current assets are carried at their nominal value and, if they are subject to discernible risks, individual value adjustments are made.

## **13. Cash and cash equivalents**

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months.

Cash and cash equivalents in the IFRS consolidated cash flow statement are treated as accrued items in accordance with the definition cited above.

## 14. Provisions

A provision is recognised when the Delignit Group has a present obligation (statutory or constructive) as a result of a past event, it is probable that an outflow of resources constituting an economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Delignit Group expects at least a partial reimbursement for a provision carried as a liability, the reimbursement will be recognised as a separate asset if the inflow of the reimbursement is virtually certain. The expense required to recognise the provision is disclosed net of the reimbursement in the consolidated statement of comprehensive income.

Provisions are reviewed at each balance sheet date, adjusted to the current best estimate and always recognised at present value. If the corresponding interest effect is material, the amount of the provision is the present value of the expenditure anticipated to be required to settle the obligation. The increase in the provision reflecting the passage of time is recognised under borrowing costs.

## 15. Pensions and other post-employment benefits

Pension obligations are measured in accordance with IAS 19. These pension commitments are regarded as defined benefit plan commitments and are therefore measured in line with actuarial principles using the projected unit credit method. A discount rate of 0.6 % was applied (previous year: 0.6 %).

Actuarial gains and losses are recognised in equity in each period as other comprehensive income (OCI). This has had the following effects:

| € thousand                      | Change     |      | Change     |      |      |
|---------------------------------|------------|------|------------|------|------|
|                                 | 31/12/2020 | 2020 | 31/12/2019 | 2020 |      |
| Actuarial gain (+)/loss (-)     | -848       | 10   | -858       | 0    | -811 |
| Tax effect                      | 255        | -2   | 257        | 14   | 243  |
| Result to be recognised in OCI: | -594       | 7    | -601       | -33  | -568 |

## 16. Financial liabilities

Loans and other non-current liabilities are initially recognised at fair value, including transaction costs directly associated with the borrowing.

After initial recognition, interest-bearing loans and non-current liabilities are measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement, when the liabilities are derecognised and as part of the amortisation process.

Liabilities from finance leases are recognised at the present value of the minimum lease payments.

Current financial liabilities are recognised at repayment or settlement amount; non-current financial liabilities are recognised at discounted amounts.

## **17. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Delignit Group and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or that will be received less discounts and rebates granted, as well as value-added tax or other levies. Moreover, revenue recognition requires the fulfilment of the following recognition criteria:

### *Sale of goods*

Revenue is recognised when control of the goods and products sold has transitioned to the buyer. As a rule, this occurs when the goods are delivered.

### *Interest income*

Interest income is recognised, as soon as interest accrues, using the effective interest rate, i.e. the rate that is used to discount the estimated future cash inflows to the net carrying amount of the financial asset over the expected life of the financial instrument.

## **18. Taxes**

### *Current income taxes*

The actual tax receivables and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the tax authority. The calculation is based on tax rates and tax laws applicable at the balance sheet date.

### *Deferred taxes*

Deferred taxes are recognised using the liability method on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except for deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits, if it is probable that taxable profit will be available, against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used. Exceptions are deferred tax assets arising from deductible temporary differences that occur from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly utilised. Unrecognised deferred tax assets are tested at the end of each reporting period and recognised to the extent that it has become probable that taxable result in future will allow the realisation of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period, in which an asset is recognised or the liability is settled. This is based on the tax rates and tax laws applicable at the balance sheet date. Future changes in the tax rates must be taken into account at the end of the reporting period if material conditions for validity in a legislative process are fulfilled.

Deferred taxes are reported as tax income or tax expense in the statement of comprehensive income unless they relate to items reported directly in equity, in which case the deferred taxes are also reported in equity.

## **19. Contingent liabilities and contingent assets**

Contingent liabilities are either possible obligations that can result in an outflow of resources or current obligations that do not meet the recognition criteria for a liability. They are specified separately in the notes, unless the possibility of an outflow of resources embodying economic benefits is highly improbable. Apart from the liability relationships, there are no contingent liabilities.

In the context of business combinations, contingent liabilities are recognised in accordance with IFRS 3.37 if their fair value can be reliably determined.

Contingent assets are not recognised in the financial statements. However, they are specified in the notes if the inflow of economic benefits is probable.

## 20. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations calculated as at the end of the reporting period and the reporting of expenses and income. The actual amounts can differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period resulting in a considerable risk that a major adjustment to the carrying amounts of assets and liabilities will be required within the next fiscal year are explained below.

### *Impairment of non-financial assets*

At each balance sheet date, the Group assesses whether there are any indications of impairment of non-financial assets. Goodwill is tested for impairment at least once a year and whenever there are indications of impairment. Other non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To determine value in use, management estimates the expected future cash flows from the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

### *Deferred tax assets*

Deferred tax assets are recognised for all unused tax loss carry-forwards and for deferred tax assets on temporary differences, if it is probable that taxable profit will be available, against which the unused tax loss carry-forwards can actually be utilised. In calculating the amount of deferred tax assets, management must make material judgements with regard to the expected timing and amount of future taxable income and the future tax planning strategies.

### *Pensions and other post-employment benefits*

The expense from defined benefit plans post-employment is determined using actuarial calculations. Actuarial valuation is based on assumptions concerning discount rates, expected earnings on plan assets, future wage and salary increases, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty.

### *Provisions*

Other provisions are recognised and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the end of the reporting period. The actual obligation can differ from the amounts recognised as provisions.

### III. Notes to the consolidated statement of financial position

#### Current assets

##### 1. Inventories

Inventories break down as follows:

|   | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---|--------------------------|--------------------------|
| Raw materials, consumables and supplies | 5,078                    | 7,156                    |
| Unfinished products                     | 3,315                    | 3,741                    |
| Finished products                       | 2,708                    | 4,260                    |
|   | <u>11,101</u>            | <u>15,157</u>            |

In the fiscal year, as in the previous year, appropriate write-downs were recognised for inventories. There were no reversals of impairment losses in the reporting period or in the previous period.

##### 2. Trade receivables

Trade receivables are all due within one year. Trade receivables are written down for impairment as necessary.

Trade receivables developed as follows:

|   | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---|--------------------------|--------------------------|
| Trade receivables                         | 3,796                    | 2,218                    |
| less specific valuation allowances        | -642                     | -416                     |
| less adjustment in accordance with IFRS 9 | -15                      | -2                       |
|   | <u>3,157</u>             | <u>1,800</u>             |

In line with the principle of prudence, specific valuation allowances were recognised for receivables not yet realised using the expected credit loss method. Trade receivables were combined and measured on the basis of joint credit risk characteristics in order to calculate expected credit losses. As such, the expected loss rates constitute a reasonable approximation.

There was no significant concentration of credit risk at the balance sheet date.

##### 3. Due from affiliated companies

Receivables from affiliated companies in the previous year comprised € 1 thousand due from OBO Werke GmbH, Stadthagen.

#### 4. Other current receivables/assets

Other current receivables/assets break down as follows:

|                                   | 31/12/2020 | 31/12/2019 |
|-----------------------------------|------------|------------|
|                                   | € thousand | € thousand |
| Receivable from taxes             | 255        | 456        |
| Receivable from factoring         | 110        | 100        |
| Transitory accruals and deferrals | 58         | 64         |
| Miscellaneous other assets        | 14         | 230        |
|                                   | <u>437</u> | <u>850</u> |

The decrease in current receivables/assets is mainly due to refund claims for tax prepayments.

#### 5. Cash and cash equivalents

Cash and cash equivalents amounting to € 4,898 thousand consist primarily of balances at banks for accounts available on call and cash in hand.

#### Non-current assets

The development of goodwill, other intangible assets, property, plant and equipment and other non-current financial assets are shown in the appended statement of changes in non-current assets.

#### 6. Goodwill

The goodwill reported as at the balance sheet date in the amount of € 2,178 thousand results from the consolidation of the acquired shares in Blumberger Holzindustrie GmbH.

For the purposes of the impairment test, goodwill was allocated to the Plywood cash-generating unit (CGU).

The impairment tests to determine the recoverable amount were based on the value in use of the CGU, the calculations of which were based on forecast earnings derived from a five-year plan approved by the Management Board. Current and future probabilities, empirical values, expected economic developments and other circumstances were taken into account when determining the target figures. For the standard year (perpetual annuity) the target figures of the last planning year were used. 9.0 % was applied as the discount rate (previous year: 5.6 %). As a precautionary measure, possible growth in the standard year was not taken into account. The discount rate was calculated using the weighted capital costs of listed companies and on the basis of standard interest rates for German government bonds and European industrial bonds. A market risk premium was included in the interest rate.

The impairment test performed did not result in impairment of the cash-generating unit. From the Management Board's perspective, reasonably conceivable changes in the basic assumptions do not result in the carrying amount exceeding the achievable amount of the CGU.

## **7. Other intangible assets**

Intangible assets primarily consist of capitalised development costs, purchased software, industrial property rights and patents. They are measured at historical acquisition costs less scheduled depreciation or the lower fair value. With regard to scheduled depreciation, industrial property rights acquired against payment are depreciated over the useful economic life of three to ten years.

## **8. Property, plant and equipment**

Property, plant and equipment consists of land and buildings acquired against payment, machines, plant and machinery, factory and office equipment, advance payments made and assets under construction. Depreciable property, plant and equipment are carried at the lower of fair value and amortised cost. Depreciable fixed assets are depreciated on a straight-line basis over their estimated useful lives.

## **9. Lease obligations**

Leases relate to various motor vehicles for the management and the sales force. The leases have an average term of three to five years. There are no renewal or purchase options at the end of the rental period.

The obligations arising from rental agreements relate to rented production halls in Oberlungwitz. For the DHK automotive GmbH site in Oberlungwitz, a ten-year lease was signed for commercial space with a term until 30 September 2026.

In line with IFRS 16, a right of use asset and a financial liability for lease payments are recognised for all Group leases. Exceptions to this rule are short-term and low-value leases.

From the Group's point of view, all contracts with a term of less than twelve months are classified as short-term leasing contracts. All leases with an acquisition cost of less than € 5 thousand are classified as low-value lease contracts; each asset is measured individually even if a lease consists of several independently usable assets.



|                                 | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---------------------------------|--------------------------|--------------------------|
| Assets from building leases     | 1,026                    | 1,204                    |
| Assets from vehicle leases      | 135                      | 125                      |
|                                 | <u>1,161</u>             | <u>1,329</u>             |
| Lease liabilities (current)     | 231                      | 227                      |
| Lease liabilities (non-current) | 947                      | 1,112                    |
|                                 | <u>1,178</u>             | <u>1,339</u>             |
| Depreciation in fiscal year     | 242                      | 227                      |
| Interest expense in fiscal year | 18                       | 21                       |
|                                 | <u>260</u>               | <u>248</u>               |

#### 10. Other non-current financial assets

Other non-current assets relate to advance payments to two OEM customers for non-current supply contracts. The financial assets will be recognised as expenses over the term of the contracts, based on the agreed supply volumes. Expenses of € 437 thousand were incurred in fiscal 2020. As purchase volumes were expected to be lower than the volumes applied for normalisation, additional valuation allowances were recognised for the financial asset in the year under review.

#### 11. Deferred taxes

The deferred tax assets and liabilities by balance sheet item as at 31 December 2020 are shown in the table below:

|   | 31/12/2020<br>€ thousand<br>Asset | 31/12/2020<br>€ thousand<br>Liability |
|---|-----------------------------------|---------------------------------------|
| Deferred taxes due to temporary differences |                                   |                                       |
| - Provisions for pensions/semi-retirement   | 265                               | 0                                     |
| - Other provisions                          | 0                                 | 115                                   |
| - Valuation allowances                      | 0                                 | 6                                     |
| - Inventories                               | 36                                | 0                                     |
| - Fixed assets                              | 12                                | 744                                   |
|   | <u>313</u>                        | <u>865</u>                            |

The deferred tax assets and liabilities by balance sheet item as at 31 December 2019 are shown in the table below:

|   | 31/12/2019<br>€ thousand<br>Asset | 31/12/2019<br>€ thousand<br>Liability |
|---|-----------------------------------|---------------------------------------|
| Deferred taxes due to temporary differences |                                   |                                       |
| - Provisions for pensions/semi-retirement   | 289                               | 0                                     |
| - Other provisions                          | 0                                 | 77                                    |
| - Valuation allowances                      | 0                                 | 6                                     |
| - Fixed assets                              | 5                                 | 954                                   |
|   | 294                               | 1,037                                 |

## 12. Provisions

Current and non-current provisions developed as follows:

|  | As at<br>01/01/2020<br>€ thousand | Utilisation/<br>reversal<br>€ thousand | Allocation<br>€ thousand | As at<br>31/12/2020<br>€ thousand |
|--|-----------------------------------|--|--------------------------|-----------------------------------|
| <b>Non-current provisions</b>              |                                   |  |                          |                                   |
| Anniversaries                              | 16                                | 0                                      | 6                        | 22                                |
| Semi-retirement programmes                 | 111                               | 0                                      | 41                       | 152                               |
|  | 127                               | 0                                      | 47                       | 174                               |
| <b>Tax provisions (current provisions)</b> |                                   |  |                          |                                   |
| Trade tax                                  | 206                               | 109                                    | 412                      | 509                               |
| Corporation tax                            | 132                               | 128                                    | 370                      | 374                               |
| Other                                      | 4                                 | 4                                      | 0                        | 0                                 |
|  | 342                               | 240                                    | 781                      | 883                               |
|  | 469                               | 240                                    | 828                      | 1,057                             |

|  | As at<br>01/01/2019.<br>€ thousand | Utilisation<br>€ thousand | Allocation<br>€ thousand | As at<br>31/12/2019<br>€ thousand |
|--|------------------------------------|---------------------------|--------------------------|-----------------------------------|
| <b>Non-current provisions</b>              |                                    |                           |                          |                                   |
| Anniversaries                              | 19                                 | 3                         | 0                        | 16                                |
| Semi-retirement programmes                 | 62                                 | 33                        | 82                       | 111                               |
|  | 81                                 | 36                        | 82                       | 127                               |
| <b>Tax provisions (current provisions)</b> |                                    |                           |                          |                                   |
| Trade tax                                  | 654                                | 560                       | 112                      | 206                               |
| Corporation tax                            | 410                                | 408                       | 130                      | 132                               |
| Other                                      | 79                                 | 75                        | 0                        | 4                                 |
|  | 1,143                              | 1,044                     | 243                      | 342                               |
|  | 1,224                              | 1,080                     | 325                      | 469                               |

The anniversary provision is formed for legally committed employee benefits. After 10, 25, 30, 40 or 50 years with the company, employees are entitled to a monetary benefit.

There were no contingent liabilities as at the statement of financial position date.

### 13. Liabilities

The liabilities have the following maturities:

|                                    | Up to one<br>year<br>€ thousand | More than<br>one and up<br>to five years<br>€ thousand | Over five<br>years<br>€ thousand | Total<br>€ thousand |
|------------------------------------|---------------------------------|--|----------------------------------|---------------------|
| Liabilities to banks               | 3,627                           | 1,714  | 0                                | 5,341               |
| Trade payables                     | 2,180                           | 0  | 0                                | 2,180               |
| Provisions with a liability nature | 1,176                           | 0  | 0                                | 1,176               |
| Other liabilities                  | 1,786                           | 2,444  | 230                              | 4,460               |
| Status 31/12/2020                  | 8,769                           | 4,158  | 230                              | 13,157              |

Tax provisions amounting to € 883 thousand and provisions with a liability character are totalled in the IFRS consolidated statement of financial position under the item "Other current provisions".

|                                    | Up to one<br>year<br>€ thousand | More than<br>one and up<br>to five years<br>€ thousand | Over five<br>years<br>€ thousand | Total<br>€ thousand |
|------------------------------------|---------------------------------|--|----------------------------------|---------------------|
| Liabilities to banks               | 4,881                           | 2,085  | 278                              | 7,244               |
| Trade payables                     | 4,145                           | 0  | 0                                | 4,145               |
| Provisions with a liability nature | 1,072                           | 0  | 0                                | 1,072               |
| Other liabilities                  | 2,033                           | 2,778  | 549                              | 5,360               |
| Status 31/12/2019                  | 12,131                          | 4,863  | 827                              | 17,821              |

Liabilities to banks have interest rates of between 0.5 % and 3.3 % (previous year: between 0.7 % and 3.3 %). Land and buildings, machinery and inventories were pledged as collateral. As at the reporting date, the carrying amount of the pledged assets was € 8,432 thousand (previous year: € 9,066 thousand).

#### 14. Provision with a liability nature

Current provisions with a liability nature consist of the following:

|   | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---|--------------------------|--------------------------|
| Outstanding invoices                      | 465                      | 367                      |
| Wages and salaries                        | 380                      | 186                      |
| Holiday entitlements                      | 123                      | 139                      |
| Uncertain liabilities                     | 96                       | 252                      |
| Costs for financial statements and audits | 85                       | 83                       |
| Bonuses                                   | 27                       | 45                       |
|   | 1,176                    | 1,072                    |

Provisions for uncertain liabilities include provisions for the virtual stock option programme for management in line with IFRS 2 amounting to € 40 thousand (previous year: € 37 thousand). In the previous year, € 300 thousand was recognised under other current liabilities from wages and salaries (cf. Note 15).

## 15. Other liabilities

The disclosure of current and non-current liabilities includes the following:

|                    | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|--------------------|--------------------------|--------------------------|
| <u>Current</u>     |                          |                          |
| Lease liabilities  | 692                      | 673                      |
| Wages and salaries | 554                      | 875                      |
| Payroll tax        | 357                      | 373                      |
| Other debtors      | 151                      | 105                      |
| VAT                | 32                       | 0                        |
| Other              | 0                        | 7                        |
|                    | <u>1,786</u>             | <u>2,033</u>             |
| <u>Non-current</u> |                          |                          |
| Lease liabilities  | 2,523                    | 3,157                    |
| Provident fund     | 151                      | 170                      |
|                    | <u>2,674</u>             | <u>3,327</u>             |
|                    | <u>4,460</u>             | <u>5,360</u>             |

In the previous year, liabilities from wages and salaries included € 300 thousand from the virtual stock option programme for managers.

## 16. Provisions for pensions and similar obligations

There is a company pension plan for former limited partners and managing directors of Blomberger Holzindustrie GmbH. The provision was calculated on the basis of the Heubeck 2019 mortality table.

|  | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|--|--------------------------|--------------------------|
| Pension provisions at the beginning of the fiscal year | 1,220                    | 1,192                    |
| - Utilisation  | -117                     | -116                     |
| + Addition to provisions                               | 7                        | 17                       |
| -/+ Actuarial gains / losses                           | -10                      | 127                      |
| Pension provisions at the end of the fiscal year       | <u>1,100</u>             | <u>1,220</u>             |

The following actuarial assumptions have been used:

|               | 31/12/2020<br>% | 31/12/2019<br>% |
|---------------|-----------------|-----------------|
| Interest rate | 0.60            | 0.60            |
| Pension trend | 2.00            | 2.00            |
| Salary trend  | 0.00            | 0.00            |

#### *Sensitivity analysis*

The sensitivity analysis for pension obligations shows the extent to which changes, e.g. in interest rates or pension increases, affect the pension obligation:

At an interest rate of 1.1 % and a pension increase of 2.0 percentage points, the obligation amounts to € 1,064 thousand, i.e. if the interest rate is changed by half a percentage point, the obligation changes by € 36 thousand.

At an interest rate of 0.6 % and a pension increase of 1.5 percentage points, the obligation amounts to € 1,064 thousand, i.e. if the pension increase is changed by half a percentage point, the obligation changes by € 36 thousand.

The liabilities are appropriate for the obligation (DBO). The benefit plans are not funded.

Publication of the amendments to IAS 19 by the IASB has had an impact on the recognition and measurement of defined benefit pension plans in the consolidated financial statements. Actuarial gains and losses are recognised directly in equity in other comprehensive income (OCI) (below also pension

reserve). € 568 thousand of the pension reserve was carried forward so that the pension reserve developed as follows:

|                               |                |
|-------------------------------|----------------|
| Pension reserve 31 Dec. 2019: | € 601 thousand |
| Actuarial loss:               | € -10 thousand |
| Deferred taxes:               | € 2 thousand   |
| <hr/>                         |                |
| Pension reserve 31 Dec. 2020: | € 594 thousand |

The expected pension payments from the pension plans for 2021 amount to € 104 thousand.

There is also a provident fund. The pension scheme was closed on 30 May 1994. The corresponding obligations are reported under other non-current liabilities.

## Equity

### 17. Subscribed capital

The share capital of Delignit AG is reported as subscribed capital. The subscribed equity of € 8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount), each with a calculated interest of € 1.00 in the share capital of the company.

According to the resolution of the General Meeting of 25 August 2020, the Management Board is authorised to increase the share capital of the company with the approval of the Supervisory Board on one or several occasions until 24 August 2025 by up to a total of € 4,096,950.00 against cash deposits and/or contributions in kind by issuing new no-par value bearer shares (Authorised Capital 2020).

In addition, the General Meeting of 25 August 2020 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant bonds with a total amount of up to € 81,939,000.00 and a term of no longer than ten years until 24 August 2025 and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro rata share in the share capital of up to a total of € 4,096,950.00, subject to the specific conditions of the bonds (Contingent Capital 2020).

By resolution of the Annual General Meeting of 4 June 2020, the company was authorised in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase and sell treasury shares in the period until 3 June 2024 in accordance with the principle of equal treatment (Section 53 a AktG) up to an amount of 10.0 % of the share capital at the date of this authorisation. The authorisation can be exercised in full or in part, and on one or more occasions. The purchase can also be carried out by dependent Group companies or by third parties on the company's account. The authorisation may not be used for the purpose of trading in treasury shares.

Please see the "IFRS consolidated statement of changes in consolidated equity as at 31 December 2020" for information on the development of equity.

The shares are held as follows:

|             |        |
|-------------|--------|
| MBB SE:     | 76.1 % |
| Free float: | 23.9 % |

### 18. Capital reserve

The capital reserve includes the net proceeds from the capital increase carried out on 26 September 2007 as part of the first listing in the Entry Standard of the Frankfurt Stock Exchange in the amount of € 5,250 thousand. The IPO costs of € 442 thousand were offset against the capital reserve.

In addition, the capital reserve includes the share premium from the acquisition of 18.3 % of the limited partner's shares in Blomberger Holzindustrie GmbH (before conversion on 18 February 2015: Blomberger Holzindustrie B. Hausmann GmbH & Co. KG) in the amount of € 2,516 thousand. With the capital increase resolved on 8 November 2010, proceeds from the issue exceeding the share capital in the amount of € 198 thousand, less the expenses for the capital increase of € 41 thousand, were transferred to the capital reserve.

By resolution of the Management Board of 28 October 2011, the accumulated loss as at 31 December 2010 was offset against the capital reserve in the financial statements as at 31 December 2011.

### 19. Retained earnings

By resolution of the Annual General Meeting of 4 June 2019, € 3,000,000.00 of the net retained profits as at 31 December 2019 were transferred to retained earnings.

## IV. Notes to the profit and loss account

### 1. Revenue

Revenue is distributed among the following regions:

|         | 31/12/2020<br>€ thousand | 31/12/2019<br>€ thousand |
|---------|--------------------------|--------------------------|
| Germany | 26,540                   | 29,680                   |
| EU      | 27,432                   | 29,361                   |
| Other   | 4,721                    | 5,318                    |
|         | <u>58,693</u>            | <u>64,360</u>            |

In percentage terms, this results in the following breakdown of revenue by region:

|         | 2020           | 2019           |
|---------|----------------|----------------|
| Germany | 45.2 %         | 46.1 %         |
| EU      | 46.7 %         | 45.6 %         |
| Other   | 8.0 %          | 8.3 %          |
|         | <u>100.0 %</u> | <u>100.0 %</u> |

The Delignit Group generates revenue accounting for more than 10.0 % of total consolidated revenue with a total of two OEM groups, with deliveries and invoicing to different Group companies.



The revenue results from different products and model series within the OEM groups. Revenue with these two groups amounted to 36.2 % with the largest OEM customer (previous year: 35.1 %) and 32.9 % with the second-largest OEM customer (previous year: 30.6 %).

The Group recognises revenue from the transfer of goods at a specific point in time. For reasons of materiality, revenue is not recognised over time. The Delignit Group generally does not manufacture products tailored to a specific customer, in such a manner that these products can be used exclusively for that customer.

However, one OEM customer had a specific call-off obligation for special products as at the reporting date. However, as there was no complete delivery volume which could be called off as at the reporting date, from completed but not yet delivered products the Delignit Group did not realise any revenue over time in line with IFRS 15.

## 2. Other operating income

Other operating income breaks down as follows:

|  | 2020<br>€ thousand | 2019<br>€ thousand |
|--|--------------------|--------------------|
| Income from cost allocations                                   | 83                 | 76                 |
| Income from the reversal of value adjustments                  | 59                 | 1                  |
| Income from investment grants and allowances                   | 54                 | 121                |
| Income from the reversal of provisions with a liability nature | 46                 | 296                |
| Income from previous fiscal years                              | 9                  | 633                |
| Other income   | 334                | 101                |
|  | <u>585</u>         | <u>1,228</u>       |

## 3. Cost of materials

The cost of materials breaks down as follows:

|                            | 2020<br>€ thousand | 2019<br>€ thousand |
|----------------------------|--------------------|--------------------|
| Expenses for raw materials | 19,727             | 24,766             |
| Expenses for trade goods   | 4,328              | 6,179              |
| Freight costs              | 2,934              | 3,399              |
| Purchased services         | 1,431              | 2,778              |
| Other material and energy  | 2,699              | 3,463              |
|                            | <u>31,119</u>      | <u>40,585</u>      |

#### 4. Staff costs

Staff costs break down as follows:

|   | 2020<br>€ thousand | 2019<br>€ thousand |
|---|--------------------|--------------------|
| Wages and salaries                                      | 12,642             | 13,535             |
| Social security contributions and expenses for pensions | 2,756              | 3,021              |
|   | <u>15,398</u>      | <u>16,556</u>      |

The expenses for wages and salaries include allocations to provisions and utilizations under the virtual stock option programme for management amounting to € 3 thousand (previous year: € -12 thousand). With regard to details, we refer to the comments concerning the remuneration of the Management Board in Section VII (Other mandatory disclosures).

#### 5. Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation break down as follows:

|   | 2020<br>€ thousand | 2019<br>€ thousand |
|---|--------------------|--------------------|
| Depreciation of property, plant and equipment | 2,374              | 2,324              |
| Amortisation of intangible assets             | 215                | 165                |
|   | <u>2,589</u>       | <u>2,489</u>       |

As in the previous year, no value adjustments from impairments or write-ups of assets in accordance with IAS 36 were made in 2020.

## 6. Other operating expenses

Other operating expenses break down as follows:

|   | 2020<br>€ thousand | 2019<br>€ thousand |
|---|--------------------|--------------------|
| Maintenance expenses                          | 1,814              | 2,458              |
| Purchased services                            | 652                | 549                |
| Legal and consulting                          | 495                | 354                |
| Allocation to value adjustments               | 458                | 84                 |
| Administrative expenses                       | 337                | 400                |
| Insurance                                     | 259                | 337                |
| IT costs                                      | 159                | 103                |
| Research and development costs                | 151                | 195                |
| Rent, leasehold, lease                        | 94                 | 139                |
| Travel expenses/vehicle expenses              | 89                 | 178                |
| Fees and contributions                        | 74                 | 73                 |
| Telephone, postage, remote data transmission  | 50                 | 41                 |
| Advertising expenses                          | 48                 | 47                 |
| Incidental expenses for monetary transactions | 33                 | 52                 |
| Other   | 565                | 659                |
|   | <u>5,278</u>       | <u>5,669</u>       |

## 7. Interest expenses

|                | 2020<br>€ thousand | 2019<br>€ thousand |
|----------------|--------------------|--------------------|
| Bank interest  | 183                | 236                |
| Other interest | 68                 | 48                 |
|                | <u>251</u>         | <u>284</u>         |

## 8. Taxes

Taxes break down as follows:

|              | 2020<br>€ thousand | 2019<br>€ thousand |
|--------------|--------------------|--------------------|
| Income taxes | 630                | 578                |
| Other taxes  | 66                 | 67                 |
|              | <u>696</u>         | <u>645</u>         |

Details of deferred tax assets and liabilities are provided in the previous section. Deferred taxes are calculated on the basis of a standard tax rate of 30.0 % for the Group companies.

Offsetting and reconciliation between income tax expense and the product of the statement of financial position result for the period and the applicable tax rate for the Group for the 2020 and 2019 fiscal years, are as follows:

|   | 2020<br>€ thousand | 2019<br>€ thousand |
|---|--------------------|--------------------|
| Earnings before income taxes            | 2,779              | 2,044              |
| Theoretical income tax expense (30.0 %) | -834               | -613               |
| Tax additions/reductions                | 204                | 35                 |
|   | <u>-630</u>        | <u>-578</u>        |

Income taxes include refunds for previous years in the amount of € 125 thousand (previous year: € 21 thousand).

### 9. Earnings per share

Earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

|   | 2020        | 2019        |
|---|-------------|-------------|
| Net income attributable to the holders of ordinary shares of the parent company | € 2,083,000 | € 1,399,000 |
| Weighted average number of ordinary shares used to calculate earnings per share | 8,193,900   | 8,193,900   |
| Earnings per share  | € 0.25      | € 0.17      |

## V. IFRS consolidated cash flow statement

### Notes to the IFRS consolidated cash flow statement

The IFRS consolidated cash flow statement shows how liquid assets of the Delignit Group changed in the fiscal year as a result of cash inflows and outflows. In accordance with IAS 7, a distinction is made between cash flows from the ongoing operating, investing and financing activities.

The net financial position considered in the IFRS consolidated cash flow statement includes all liquid assets reported in the statement of financial position, credit balances at banks, if these credit balances are available within three months (calculated from the date of acquisition) without significant fluctuations in value. Cash flows from investing and financing activities are determined directly, i.e. on the basis of payment. Cash flow from operating activities, on the other hand, is derived indirectly from the earnings for the period.

As in the previous year, the Group did not carry out any non-cash investment and financing activities during the fiscal year.

## **VI. Objectives and methods of financial risk management**

### **1. Financial assets and financial liabilities**

The Group's financial liabilities mainly include current and non-current liabilities to banks, current trade payables and other current and non-current liabilities. The material financial assets of the Group consist of liquid assets, trade receivables and other receivables. The carrying amount of the financial assets recognised in the consolidated financial statements less impairment constitutes the maximum default risk. It amounts to a total of € 4,440 thousand (previous year: € 3,934 thousand). Business relationships are only entered into with partners of good credit standing. Available financial information and our own trading records are used to assess the creditworthiness of major customers, in particular. Trade receivables are due from a number of customers distributed over different industries and regions. Ongoing credit assessments of the financial level of the receivables are performed. Payment terms of 30 days without deduction are usually granted. Impairment was not recognised for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

With regard to the maturities of financial liabilities, we refer to our comments under Section III. 13. "Liabilities".

Valuation of the Delignit Group's financial assets and liabilities is presented under II. 11 "Financial assets held as current assets" and II. 16. "Financial liabilities" in the notes to the general accounting policies.

The Group does not exercise the fair value option. On the current balance sheet date or the last balance sheet date, the Group has neither financial assets that were held for trading nor financial assets or liabilities measured at fair value through profit or loss. Derivatives and hedging transactions were not entered into.

No reclassification was made in 2020 or 2019.

## **2. Capital risk management**

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its growth targets through financial flexibility, while at the same time optimising financing costs. The overall strategy in this regard is unchanged compared to the previous year. Management reviews the capital structure at least once every half-year. The cost of capital, the collateral provided, open lines of credit and available credit facilities are reviewed. The Group is not subject to any externally regulated capital requirements.

## **3. Financial risk management**

Financial risk is monitored centrally by management. The individual financial risks are reviewed at least four times per year.

The material Group risks arising from financial instruments include market, liquidity and credit risks. The credit risk is controlled by the fact that business relationships are only entered into with creditworthy contractual partners. Moreover, assessments by independent rating agencies, other available financial information and our own trading records are used to assess creditworthiness, in particular the creditworthiness of major customers. Credit risks are controlled via limits per contractual partner, which are reviewed and approved annually. In addition, the amounts of receivables are monitored on an ongoing basis, so that the Delignit Group is not exposed to any significant credit risk. The maximum default risk is limited to the respective carrying amounts of the assets reported in the statement of financial position.

The Group manages liquidity risks by maintaining appropriate reserves, credit lines with banks and monitoring and maintaining loan agreements. Cash flows are carefully planned and actual and forecast cash inflows and outflows are reconciled. Management expects the Group to be able to meet its other financial obligations from operating cash flows and from the inflow of maturing financial assets.

#### **4. Market risks**

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). Due to the minimal relevance of exchange rate risks for the Group, exchange rate risks were not hedged through derivative financial instruments. These risks are controlled through continuous monitoring. Exchange rate risks are largely avoided by the fact that the Group mainly invoices in euros or local currency.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The Delignit Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Derivatives (e.g. interest rate swaps or forward interest rate agreements) are not used to hedge the exposure. As at the balance sheet date, there were variable-interest liabilities amounting to € 3,000 thousand (previous year: € 4,213 thousand). If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), earnings before tax would have been € 60.0 thousand lower (higher).

#### **5. Fair value risk**

The financial instruments of the Delignit Group that are not carried at fair value are primarily cash, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities.

The carrying amount of cash is extremely close to fair value on account of the short terms of these financial instruments. For receivables and liabilities with normal credit conditions, the carrying amount based on historical cost is also extremely close to fair value.

## VII. Other required information

### 1. Other required information

#### CSO

The following persons were members of the Management Board of Delignit AG in fiscal year 2020:

- Markus Büscher, business economist, CEO  
(Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D, Investor Relations)
- Thorsten Duray, industrial manager, member of the Management Board  
(Marketing and Sales)

#### Supervisory Board

The following persons were members of the Supervisory Board of Delignit AG in fiscal year 2020:

- Dr Christof Nesemeier, Chairman of the Supervisory Board of Delignit AG  
(also: Member of the Board of Directors and Managing Director (CEO) of MBB SE, Berlin, member of the Supervisory Board of Aumann AG, Beelen, and Chairman of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt, and Friedrich Vorwerk Management SE, Tostedt)
- Gert-Maria Freimuth, Deputy Chairman of the Supervisory Board  
(also: Chairman of the Board of MBB SE, Berlin, Chairman of the Supervisory Board of DTS IT AG, Herford, Chairman of the Supervisory Board of Aumann AG, Beelen, and Deputy Chairman of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt [until 10 February 2021] and Friedrich Vorwerk Management SE, Tostedt [until 10 February 2021].)
- Anton Breitkopf  
(also: Member of the Board of MBB SE, Berlin, Deputy Chairman of the Supervisory Board of DTS IT AG, Herford, and member of the Supervisory Board of Friedrich Vorwerk Group SE, Tostedt [until 10 February 2021] and Friedrich Vorwerk Management SE, Tostedt [until 10 February 2021].)

### 2. Remuneration of the Management Board

The remuneration of the Management Board consists of a fixed and a variable component. The Management Board also receives reimbursement of expenses against receipt. In addition, the Management Board is also insured via a Group D&O insurance policy with a deductible and an accident insurance policy, and the Management Board receives a subsidy for private health insurance and long-term care insurance. Moreover each member of the Management Board also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to six weeks. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.



### *Virtual stock option programme*

There are currently two virtual stock option programmes for members of the Management Board:

- Stock Option Programme I (2013 Management Board contracts)
- Stock Option Programme II (2017 Management Board contracts)

#### *Stock Option Programme I (2013 Management Board contracts)*

All of the 300,000 virtual stock options originally granted under the virtual Stock Option Programme I (2013 Management Board contracts) were allocated and exercisable as at the end of fiscal year 2018. By 31 December 2020, the Management Board members had exercised a total of 290,000 stock options, meaning that there is a remaining entitlement of 10,000 shares under Stock Option Programme I. Based on a starting price of € 1.30 and a relevant exercise price of € 5.3105 as at 31 December 2020, the stock option programme has a remaining value of € 40,105.00.

|   | Total   | Allo-<br>cated | Exercis-<br>able | Exer-<br>cised | Re-<br>main-<br>ing |
|---|---------|----------------|------------------|----------------|---------------------|
| Number of virtual shares granted  | 300,000 | 300,000        | 300,000          | 290,000        | 10,000              |
| Starting price  |         |                |                  |                | € 1.3000            |
| Exercise price<br>as at 31 December 2020  |         |                |                  |                | € 5.3105            |
| Difference between starting<br>price and exercise price<br>as at 31 December 2020 |         |                |                  |                | €<br>4.0105         |
| Value of Stock Option<br>Programme I<br>as at 31 December 2020                    |         |                |                  |                | € 40,105.00         |

#### *Stock Option Programme II (2017 Management Board contracts)*

As at 31 December 2020, 180,000 of the 300,000 virtual stock options granted under the virtual Stock Option Programme II (2017 Management Board contracts) were allocated and 136,000 stock options were exercisable (pro rata). The Management Board members had not exercised any of the exercisable stock options as at 31 December 2020, meaning that there is a remaining entitlement of 136,000 shares under Stock Option Programme II. Based on a starting price of € 5.82 and a relevant exercise price of € 5.3105 as at 31 December 2020, the stock option programme has a current value of € 0.

|   | Total   | Allo-<br>cated | Exercis-<br>able<br>(pro rata) | Exer-<br>cised | Re-<br>main-<br>ing |
|---|---------|----------------|--------------------------------|----------------|---------------------|
| Number of virtual shares granted  | 300,000 | 180,000        | 136,000                        | 0              | 136,000             |
| Starting price  |         |                |                                |                | € 5.8200            |
| Exercise price<br>as at 31 December 2020  |         |                |                                |                | € 5.3105            |
| Difference between starting<br>price and exercise price<br>as at 31 December 2020 |         |                |                                |                | (€ 0.5095)          |
| Value of Stock Option<br>Programme II<br>as at 31 December 2020                   |         |                |                                |                | € 0                 |

Accordingly, the two virtual stock option programmes had a fair value in line with IFRS 2 of € 40,105.00 as at 31 December 2020. After deducting the provisions identified in the previous year and recognised as at 31 December 2019 in the amount of € 37,208.47, the cumulative increase in provisions for Stock Option Programmes I and II in fiscal year 2020 amounts to € 2,896.53. The provision for the remaining options of the two Management Board members is recognised under provisions for uncertain liabilities. In fiscal year 2020, the increase in the provision was recognised in the income statement as expenses from claims under the stock option programmes (previous year: income of € 11,532.12). The provision for the remaining options of the two Management Board members is recognised under provisions for uncertain liabilities.

|  | 2020<br>€ thousand | 2019<br>€ thousand |
|--|--------------------|--------------------|
| Fixed salary                               | 380                | 380                |
| Fiscal year bonus                          | 189                | 100                |
| Virtual stock option programme             | 3                  | -12                |
| Total remuneration of the Management Board | 572                | 468                |

### 3. Related party transactions

#### a) Related parties

Delignit AG is a dependent company as defined in Section 17 of the German Stock Corporation Act. The controlling company is MBB SE, Berlin (HRB 165458,

Berlin-Charlottenburg District Court). A controlling agreement does not exist. Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry.

*b) Management Board*

Reference is made to the comments concerning the remuneration of the Management Board. Other than the remuneration cited above no business was transacted with the Delignit Group.

*c) Members of the Supervisory Board of Delignit AG*

In fiscal year 2020, the members of the Supervisory Board received fixed remuneration of € 45 thousand. The fixed remuneration is distributed among the members as follows:

- Chairman, Dr Christof Nesemeier, € 20 thousand
- Deputy Chairman, Mr Gert-Maria Freimuth, € 15 thousand
- Member, Mr Anton Breitkopf, € 10 thousand

**4. Number of employees**

The average number of employees during fiscal year 2020 was as follows:

|           | 2020 | 2019 |
|-----------|------|------|
| Employees | 379  | 383  |

The Delignit Group employed 390 people in Germany on the reporting date.

**5. Auditor's fees**

The auditor's fees recognised in fiscal year 2020 break down as follows:

|                                   | 2020<br>€ thousand | 2019<br>€ thousand |
|-----------------------------------|--------------------|--------------------|
| a) Audit of financial statements: | 54.0               | 54.0               |
| b) Tax advice:                    | 23.0               | 37.0               |
|                                   | <u>77.0</u>        | <u>91.0</u>        |

**6. Events after the reporting period**

There were no events after the balance sheet date that would be classified

as material.

### **7. Appropriation of profits**

The Management Board and the Supervisory Board will discuss the appropriation of the net retained profits shown in the annual financial statements of Delignit AG for the year 2020 in the amount of € 2,319,097.21 at the Supervisory Board meeting to be held on 16 March 2021. The Management Board is proposing an allocation to retained earnings of € 1,000,000.00 and the payment of a dividend of € 245,817.00, with the remaining net retained profits of € 1,073,280.21 being carried forward to new account.

### **8. Responsibility statement**

To the best of our knowledge, and in accordance with the generally accepted principles of proper Group financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

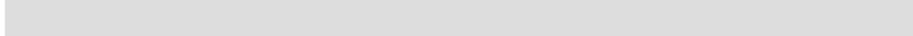
Blomberg, 12 March 2021



Markus Büscher  
CEO



Thorsten Duray  
CSO



**Statement of changes in IFRS consolidated fixed assets as at 31 December 2020 of Delignit AG, Blomberg**

|  | Total acquisition costs and production costs<br>€ thousand | Additions in the fiscal year<br>€ thousand | Reclassification<br>€ thousand | Disposals in the fiscal year<br>€ thousand | Total depreciation/amortisation<br>€ thousand | Carrying amount at the end of the fiscal year<br>€ thousand | Carrying amount at the end of the previous year<br>€ thousand | Depreciation/amortisation for the current year<br>€ thousand |
|--|--|--|--------------------------------|--|---|---|---|--|
| <b>I. Intangible assets</b>  |  |  |                                |  |   |   |   |  |
| 1. Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets | 2,128  | 16   | 19                             | 39   | 1,028   | 1,096   | 1,256   | 156  |
| 2. Capitalised development costs   | 761  | 0  | 0                              | 0  | 761   | 0   | 112   | 112  |
| 3. Goodwill  | 1,000  | 0  | 0                              | 0  | 1,000   | 0   | 0   | 0  |
| 4. Group goodwill  | 2,178  | 0  | 0                              | 0  | 0   | 2,178   | 2,178   | 0  |
|  | 6,067  | 16   | 19                             | 39   | 2,789   | 3,274   | 3,546   | 268  |
| <b>II. Property, plant and equipment</b>   |  |  |                                |  |   |   |   |  |
| 1. Land, land rights and buildings, including buildings on third-party land  | 14,123   | 64   | 1,738                          | 0  | 10,237  | 5,688   | 5,855   | 1,969  |
| 2. Technical equipment and machinery   | 26,147   | 41   | 198                            | 0  | 19,437  | 6,949   | 8,022   | 1,312  |
| 3. Other equipment, factory and office equipment   | 10,218   | 348  | -1,830                         | 6  | 7,543   | 1,188   | 1,715   | -960   |
| 4. Advance payments and assets under construction  | 125  | 0  | -125                           | 0  | 0   | 0   | 125   | 0  |
|  | 50,612   | 453  | -19                            | 6  | 37,217  | 13,824  | 15,718  | 2,321  |
|  | 56,679   | 469  | 0                              | 45   | 40,006  | 17,098  | 19,264  | 2,589  |

## INDEPENDENT AUDITOR'S REPORT

*To Delignit AG, Blomberg*

### *Audit opinions*

We have audited the consolidated financial statements of Delignit AG, Blomberg and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020 and the notes to the consolidated financial statements including a summary of the significant accounting policies. In addition, we have audited the group management report of Delignit AG, Blomberg, for the fiscal year from 1 January to 31 December 2020.

In our opinion, based on the findings of our audit

- the attached consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as at 31 December 2020 and its results of operations for the financial year from 1 January to 31 December 2020 in accordance with these provisions; and
- that the accompanying group management report overall accurately represents the Group's current situation. 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.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any objections to the correctness of the consolidated financial statements and the group management report.

### *Basis for audit opinions*

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these provisions and policies is described further in the section of our audit report entitled "Auditor's responsibility for the audit of the consolidated financial statements and the Group management 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 serve as a basis for our audit opinions on the consolidated financial statements and the Group management report.

*Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report*

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations in accordance with Section 315e (1) HGB, and the German legal regulations in all material respects, and that the consolidated financial statements give a fair view of the asset, financial and earning situation of the Group in accordance with the above regulations. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from – intentional or unintentional – material misstatement.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters in connection the continuation of business activities, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.

Moreover, the legal representatives are responsible for the preparation of the Group management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a Group management report in accordance with the applicable German legal requirements to provide sufficient suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

*Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report*

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatement and whether the Group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the Group management report.



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

We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of – intentional or unintentional – material misstatements in the consolidated financial statements and the Group management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems.
- We assess the appropriateness of the accounting policies applied by the legal representatives and the reasonableness of the estimates and related disclosures by the legal representatives.
- We draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances can lead to the Group being unable to continue its business activities.

- we have assessed the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German law set out in Section 315e (1) of the German Commercial Code (HGB).
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for designing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- We assess that the Group management report is consistent with the consolidated financial statements and the law, and the view of the position of the Group that it provides.
- We perform audit procedures on the forward-looking statements made in the Group management report by the legal representatives. In particular, on the basis of sufficient and suitable audit evidence, we analyse the significant assumptions on which the forward-looking statements of the legal representatives are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not express a separate 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.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Cologne, 12 March 2021

Rödl & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Stramitzer  
Wirtschaftsprüfer

Wiethé  
Wirtschaftsprüfer

## Condensed annual financial statements of Delignit AG for fiscal year 2020

### Statement of financial position

| Assets  | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
|   | € thousand    | € thousand    |
| Financial assets  | 6,062         | 6,062         |
| <b>Fixed assets</b>   | <b>6,062</b>  | <b>6,062</b>  |
| Receivables and other assets  | 9,713         | 7,879         |
| Cash and cash equivalents and credit balances at financial institutions | 473           | 56            |
| <b>Current assets</b>   | <b>10,186</b> | <b>7,935</b>  |
| <b>Total assets</b>   | <b>16,248</b> | <b>13,997</b> |
| <b>Liabilities</b>  |               |               |
| Equity  | 14,502        | 13,155        |
| Provisions  | 949           | 466           |
| Other liabilities   | 797           | 376           |
| <b>Total assets</b>   | <b>16,248</b> | <b>13,997</b> |

| <b>Income statement</b>                   | <b>31/12/2020</b> | <b>31/12/2019</b> |
|---|-------------------|-------------------|
|   | € thousand        | € thousand        |
| Revenue                                   | 1,092             | 635               |
| Other operating income                    | 37                | 28                |
| Staff costs                               | 672               | 545               |
| Other operating expenses                  | 493               | 261               |
| Income from profit transfer agreements    | 1,759             | 695               |
| Interest and similar income               | 119               | 569               |
| Interest and similar expenses             | 5                 | 1                 |
| Taxes on income and earnings              | 491               | 347               |
|   | <b>1,347</b>      | <b>773</b>        |
| Profit carried forward from previous year | 972               | 3,608             |
| Allocation to retained earnings           | 0                 | -3,000            |
| Distribution to shareholders              | 0                 | 410               |
|   | <b>2,319</b>      | <b>972</b>        |

## Financial calendar

### **Annual Report 2020:**

April 2021

### **General Meeting 2021:**

15 June 2021

### **Half-year financial report 2021:**

August 2021

### **End of fiscal year 2021:**

31 December 2021

## Contact

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## Legal notice

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|           |  |
|-----------|--|
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