MORE FROM WOOD.

Egger Holzwerkstoffe GmbH

Consolidated Financial Statements as of April 30, 2019

MORE FROM WOOD.

EGGER

Egger Holzwerkstoffe GmbH
St. Johann in Tirol

Consolidated Financial Statements
as of April 30, 2019
(Translation)

Contents

Egger Holzwerkstoffe GmbH (Consolidated Financial Statements)

The consolidated financial statements are prepared in TEUR / million EUR (rounded). The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts and percentage rates.

Mission

Creating more from wood

- The pioneering spirit and values of the EGGER family business underpin our strategies.
- Our central values are dynamism, loyalty, responsibility and trust.
- We achieve sustainable international growth based on our own performance and by preserving our independence.
- We provide our customers with innovative solutions and a market-oriented comprehensive product portfolio and services based around a natural and renewable material – wood.

Core Values

Our values as a family company

- We see ourselves as a transparent and modern family company and present ourselves as such to the employment market.
- Sustainability and the further development of the company for the benefit of future generations take center stage in our decisions.
- Respect, trust, partnership and loyalty define our everyday actions.
- We stand by our word.
- Professional action and efficient decision-making processes constitute key success factors.
- We live by our mission statement and our core values (quality, respect and progress).

Our customer service

- We recognize the importance of developing long term customer relationships as the basis for mutual success.
- The cornerstones of our work include reliable quality, design and technical competence, specialized consulting, as well as services for sales support. All our services are based on current and future customer needs.

Our quality

- For EGGER, quality means fulfilling defined requirements in everything we undertake.
- We have committed ourselves to continuous improvement, backed up by a certified management system.

Our employees and management

- We treat each other with respect.
- We expect high performance and develop our employees through specific training and information programs.
- Particular credit is given to experience, passing on this experience and long employment service.
- Our managers are predominantly recruited internally. They stand out with their high leadership competence and positive role model behavior.

Our organization

- We are a decentralized group structured around individual business units and regional organizations. Central functions are carried out only where we can benefit from synergies, increase productivity or when driven by strategic demands.
- Our decision-making processes are clear and efficient.
- The rules of procedure and reporting requirements form the basis of proper business management.
- The strategic direction of the group is defined by the owners and Group Management, with the support of employees as well as division management.
- Individuals have the responsibility for pursuing mutually agreed targets.

Our social environment

- In accordance with our core values we embrace the culture and customs of the countries in which we operate.
- We integrate into the life of our local communities.
- We promote the employment of qualified employees and managers from the regions around our sites.

Our natural environment

- The sustainable use of raw materials is one of EGGER's highest priorities.
- We achieve this by generating energy in our own biomass power plants, by using state-of-the-art manufacturing technology and environmentally-friendly logistics systems.

Our information and communication systems

- We invest in the latest information and communication systems.
- We use these systems to manage our business efficiently and bring our business partners closer to the relevant business processes.

Introduction by Group Management

Dear Ladies and Gentlemen,

At the close of the 2018/19 financial year, we can look back on a successful, but challenging period. These 12 months were influenced, above all, by a very high pace of **investment**. We continued to pursue the internationalization of our corporate group which started several years ago and made significant investments in our new plants and the modernization of our existing facilities. All in all, we invested a record total of EUR 489.1 million this year. The construction of our 19th plant in Biskupiec, Poland, has been largely completed, and operations were launched at the end of June. In Lexington, NC (USA), the structural engineering work for the plant started in November 2018 and is progressing on schedule.

Against the backdrop of these massive investments and the related, in part not capitalizable development and start-up costs, we recorded very satisfactory **revenues** of EUR 2,841.5 million (+5.6 % versus 2017/18) and adjusted **EBITDA**[1] of EUR 425.0 million (–4.7 % versus 2017/18). We were unable to meet all of our ambitious targets in 2018/19, but still realized our strategic growth steps as planned. The adjusted **EBITDA margin** equaled 15.0 %, which is within our long-term target range, and our **equity ratio** remains high at 36.8 % (2017/18 40.8 %). This provides a sound basis for our further development in line with our principle “solid growth driven by our internal strength”.

“The **most important contribution** to our continuous and sustainable growth was made by our workforce, which has now grown to roughly **9,600 employees.**[2]”

Their experience, dedication and commitment to EGGER helped us to successfully complete the 2018/19 financial year and place the Group on sound footing to address the coming challenges.

Our plants reported good capacity utilization during the 2018/19 financial year and set a new production record with 8.8 million m³ of wood materials and sawn timber. The market environment in our most important European regions and Russia was satisfactory and supported our stable development. Our new market in Argentina represented a challenge due to the very high level of inflation, the devaluation of the Argentine Peso and the related economic recession.

This annual financial report reflects the conversion of our **reporting structure** to correspond with the new **divisional organization**. We are now reporting on the following divisions: Decorative Products Central, Decorative Products West and Decorative Products East as well as Flooring Products. We also created the Other Segment to aggregate corporate functions, the sawmill in Brilon, Germany, and other independent business areas or plants under construction[3].

[1] Operating EBITDA excl. IAS 29 revaluations
[2] The EGGER Group had 9,643 employees as of April 30, 2019. The average for the financial year equaled 9,481. The increase resulted primarily from hiring for the plants in Biskupiec (PL) and Lexington, NC (USA).
[3] The Decorative Products Americas Division (Argentina and USA) was still included in the Other Segment as of April 30, 2019 because the integration and/or development of the included plants is still in progress.

In the 2018/19 financial year we recorded revenue growth in all areas of our business:

The **Decorative Products Central Division** generated revenues of EUR 862.4 million (+2.1% versus 2017/18), and the **Decorative Products West Division** recorded an increase of 8.5 % in revenues to EUR 714.0 million. Revenues in the **Decorative Products East Division** rose by +2.1 % to EUR 837.7 million. The Flooring Products Division was responsible for 14.1% of Group revenues and, at EUR 447.0 million, also recorded a year-on-year increase of 5.0 % (EUR 425.8 million). The **Other Segment** reported revenues of EUR 313.7 million, or 9.9 % of Group revenues. The improvement of 24.8 % over the previous year resulted from the first-time inclusion of the Concordia plant (AR) for a full 12 months.

The slightly weaker **development of earnings** in the Decorative Divisions was caused by investments, in part through the negative influence of non-capitalizable development and start-up costs as well as higher regional prices for raw materials. The impending Brexit has not resulted in any negative effects to date.

Prices for the most important **raw materials** used by our Group remained generally stable in 2018/19. Our focus here is on the long-term protection of supplies through deep backwards integration and efficient procurement and logistics systems.

Once again we are publishing our **sustainability report** (non-financial statement) concurrently with our annual financial report. It is available on our website www.egger.com/sustainability and presents our positions, goals and efforts with regard to economical, ecological and social sustainability.

We are continuing to invest in our environmentally friendly and safe production facilities. The completion of the current strategic expansion investments and their integration into our EGGER processes and systems represent our main focus for the coming years. We also intend to remain as close as possible to our customers and provide the best possible products and services. The opportunities created by digitalization will become an integral part of our processes and services.

The past months have brought growing economic weakness in some of our markets, but our outlook for the 2019/20 financial year is positive. We are optimistic that our highly competitive, industrial base will allow us to continue the current earnings trend. The goal is to realize the earnings potential of our recent investments. Our new EGGER Decorative Collection 2020–22 will be launched at the turn of the year, and we intend to duplicate the enormous success realized by the collection's first series.

St. Johann in Tirol, July 15, 2019

Walter Schiegl | Thomas Leissing | Ulrich Bühler


MORE FROM WOOD
DISCOVER THE
WORLD OF EGGER
EGGER

Brief portrait of Group management

In 1961 Fritz Egger sen. founded the chipboard plant that formed the basis for the family-owned EGGER Group. Today the Group is owned by private foundations established by the Egger family, whereby Fritz and Michael Egger are involved in the definition of strategic guidelines as members of the Supervisory Board. Smaller investments are held by the members of our Group management. The business operations of our family company are directed by the EGGER Managing Board with Thomas Leissing, Walter Schiegl and Ulrich Bühler.

Thomas Leissing

EGGER Managing Board responsible for finance, logistics, human resources and IT as well as Speaker of the Managing Board

Thomas Leissing was appointed to the EGGER Managing Board in 2005. He is responsible for finance, logistics, human resources and IT and, since 2009, has also served as the speaker for the Managing Board. Prior to joining EGGER, he worked in corporate finance for a publicly traded international industrial corporation.

Walter Schiegl

EGGER Managing Board responsible for production, engineering and procurement

Walter Schiegl has been with EGGER since 1980. After several years in production, he served as the plant manager for production and engineering in Wörgl (AT) and Brilon (DE). In 2000 he was appointed to the Managing Board, where he is responsible for production, engineering and procurement.

Ulrich Bühler

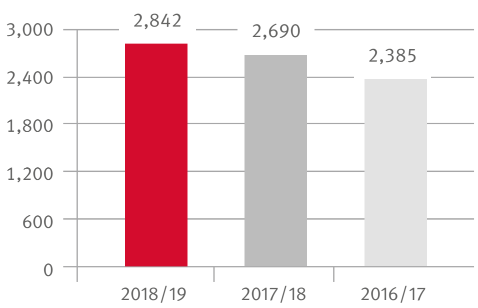
EGGER Managing Board responsible for marketing, sales and communications

Ulrich Bühler joined the EGGER Managing Board in 2006, where he is responsible for sales, marketing, product management and communications. Before joining EGGER in 2000, he worked for a major German wood retailer. He was in charge of sales and marketing for the Group's German organization prior to his appointment to the Managing Board.

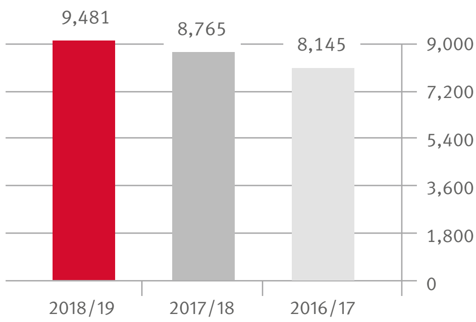
Overview of key data

Key data on the EGGER Group at a glance.

Revenues (in EUR mill.)



Employees (Yearly average)
12 months roll.



Earnings Indicators		2018/19	2017/18	2016/17
Revenues	EUR mill.	2,841.5	2,690.1	2,384.8
Adjusted EBITDA*	EUR mill.	425.0	445.8	363.7
Adjusted EBITDA margin*	in %	15.0 %	16.6 %	15.3 %
EBITDA	EUR mill.	450.6	408.1	363.7
EBITDA margin	in %	15.9 %	15.2 %	15.3 %
Adjusted EBIT**	EUR mill.	233.4	246.4	158.0
EBIT	EUR mill.	168.7	208.7	158.0
Profit before tax (PBT)	EUR mill.	156.7	169.0	122.2
Profit after tax (PAT)	EUR mill.	154.7	164.5	90.3

The amounts reported as of April 30, 2018 were adjusted to reflect the application of IAS 29.
* Operating EBITDA without appreciation IAS 29 and before the addition to, resp. increase in the provision for long-service bonuses in FY 17/18
** Operating EBIT without appreciation IAS 29 and without impairment from plant Concordia (AR) in FY 2018/19

Consolidated Balance Sheet		30.04.2019	30.04.2018	30.04.2017
Balance sheet total	EUR mill.	3,141.3	2,640.7	2,329.4
thereof non-current assets	EUR mill.	2,092.9	1,868.1	1,647.1
Equity (including subsidies)	EUR mill.	1,157.0	1,078.5	873.4

Treasury Key Figures		30.04.2019	30.04.2018	30.04.2017
Equity ratio	in %	36.8 %	40.8 %	37.5 %
Net debt	EUR mill.	953.0	778.3	727.7
Net debt / adjusted EBITDA*	years	2.24	1.75	2.00

* Operating EBITDA without appreciation IAS 29 and before the additon to, resp. increase in the provision for long-service bonuses in FY 17/18

Value Management		30.04.2019	30.04.2018	30.04.2017
Adjusted EBITDA*	EUR mill.	425.0	445.8	363.7
Historical capital employed	EUR mill.	4,675.5	4,185.3	3,800.3
CFROI	in %	9.1 %	10.7 %	9.6 %

* Operating EBITDA without appreciation IAS 29 and before the additon to, resp. increase in the provision for long-service bonuses in FY 17/18

Management Report

on the Consolidated Financial Statements

of Egger Holzwerkstoffe GmbH, St. Johann in Tirol,
for the 2018/19 Financial Year

1 Business and Operating Environment

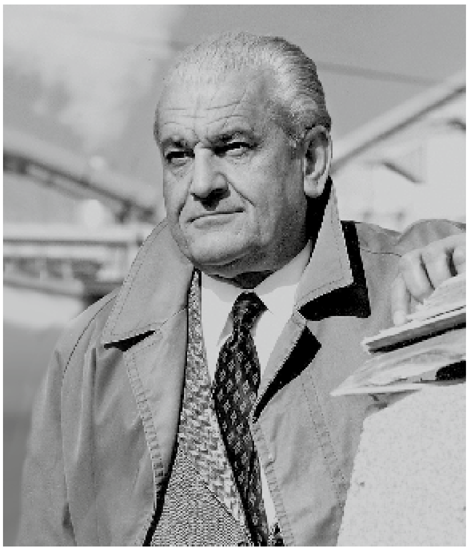
“We make more from wood.” This strong claim led Fritz Egger sen. to open the first chipboard plant in St. Johann in Tirol during 1961, which created the foundation for EGGER’s success story. What more is there to add today? To be exact: 18 plants in eight countries with nearly 9,600 employees who produce roughly 8.8 million m³ of wood products each year.

Construction on the 19th plant at Biskupiec in the northeast of Poland was largely completed as of April 30, 2019, and 360 new employees were hired and trained. The start-up took place at the end of June. The plant is now in operation and will supply customers in the region with high-quality wood materials.

Construction on the first greenfield project outside Europe in Lexington, NC, USA, started in November 2018 and is proceeding on schedule. The office and maintenance building should be ready for occupancy in Q3/2019, and production is expected to start at the end of 2020. On-the-site training for specialized workers began in 2018 with our internally developed apprenticeship program.

This is the proud result of a vision from Austria, which drives all of us at EGGER every day and commits us to further develop the Group in order to create new perspectives for our customers, partners and employees.

Today we are a **complete supplier** for furniture and interior construction, for wood construction and for laminate flooring – with no limits on variety. The continuous development of our product portfolio is an important focus of our activities. In addition to the regular development of new, trendy decors and surfaces, we also concentrate on technological innovation as a means of continually improving our products, streamlining our work processes and driving sustainable growth.

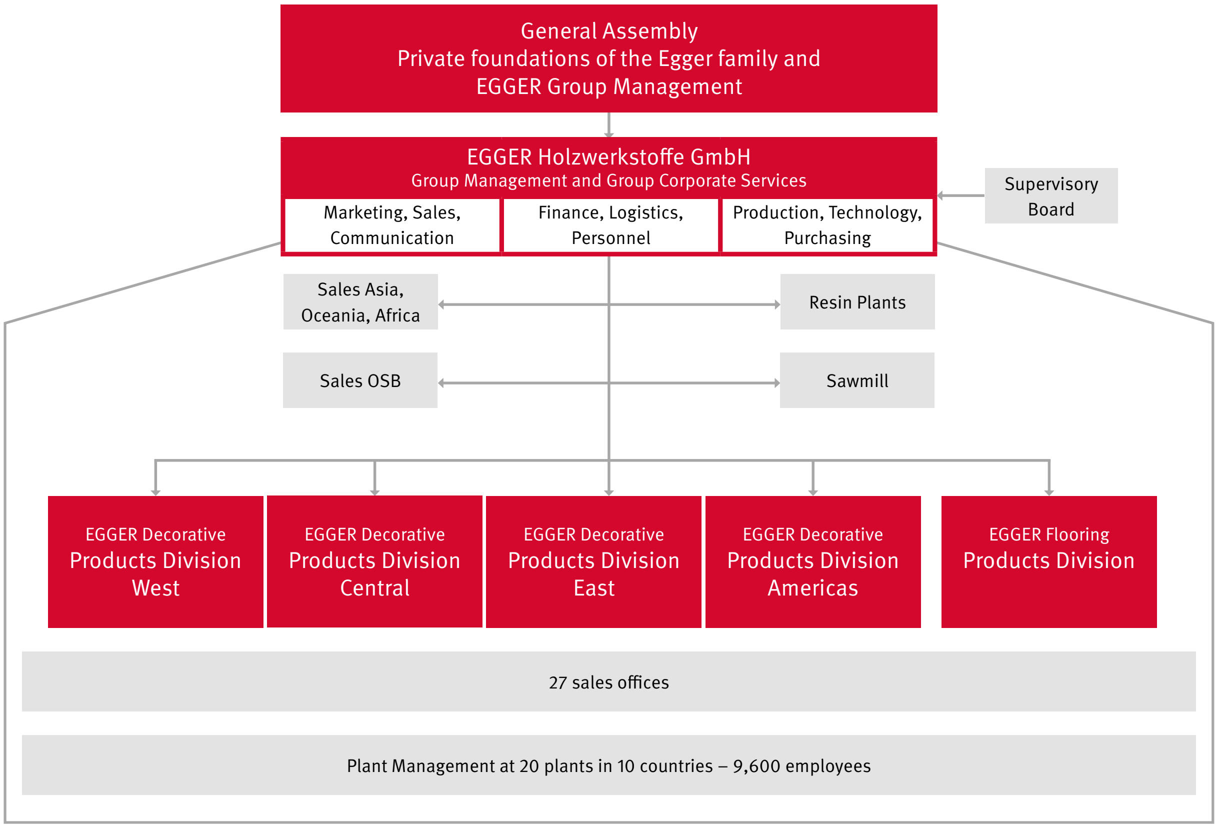


Fritz Egger sen.,
Founder of EGGER

1.1 Group Structure and Business Activities

1.1.1 Organizational and management structure

Egger Holzwerkstoffe GmbH is the parent company of our Group, which includes companies in Austria, Germany, France, Great Britain, Russia, Romania, Poland, Turkey, Argentina and the USA as well as sales subsidiaries in Eastern Europe, Benelux, Scandinavia, Switzerland and Overseas (Asia, Australia and South America) that report directly to the respective country organizations.



Simplified organizational structure of the EGGER Group *

* The Decorative Products Americas Division (Argentina and USA) was still included in the Other Segment as of April 30, 2019 because the integration and/or development of the included plants is still in progress.

The members of the **Managing Board** of the parent company, Egger Holzwerkstoffe GmbH, are Thomas Leissing (Speaker of the Managing Board, CFO, Finance, Logistics, Human Resources and IT), Walter Schiegl (CTO, Production, Engineering and Procurement) and Ulrich Bühler (CSO, Marketing, Sales and Communications).

The **Supervisory Board** supports the Managing Board on strategic issues. Its members during the 2018/19 financial year were Fritz Egger (Chairman), Michael Egger, Robert Briem, Ewald Aschauer (since October 1, 2018) and Michael Stiehl (since April 3, 2019). Cooperation between the Managing Board and Supervisory Board takes place in the form of regular Supervisory Board meetings, budget and investment meetings and monthly reporting.

We rely on **management teams** for the direction of our organizational units, whereby the individual responsibilities cover production and engineering, sales and marketing as well as logistics, finance and administration. This structure has been implemented for the Group's management, for divisional management and for the regional plant organizations. In addition, **staff managers** are responsible for the following areas: engineering, production, procurement, marketing, communications, sales controlling, IT, logistics, human resources, accounting, treasury, legal and tax.

Two major organizational changes were made during the 2018/19 financial year:

Reorganization in the area of construction products: The former EGGER Building Products Division was dissolved. A new sales organization was created for the OSB business and assigned to the individual plants in Wismar (EGGER Flooring Products) and Radauti (EGGER Decorative Products East). The sawmill in Brilon is directed by an independent management team. The underlying reasons for this organizational change are the very different market conditions and dynamics for the sawn timber and OSB businesses, each of which requires an adjusted strategy.

Streamlining of the management structure in the EGGER Flooring Products Division: The management structure was changed in August 2018, whereby a single manager is now responsible for engineering/production, finance/administration and logistics for the division and plant management at the Wismar facility.

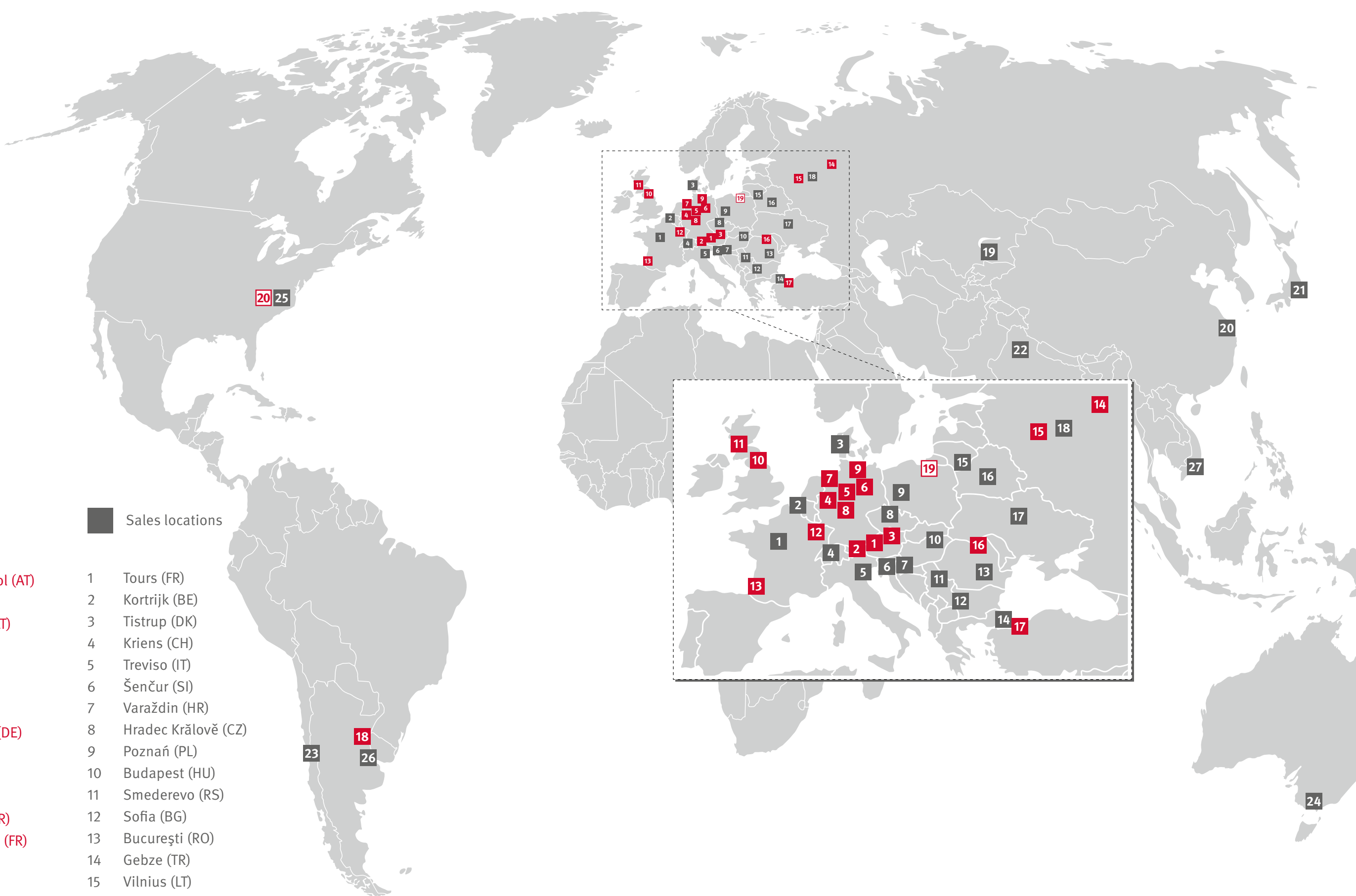

EGGER

1.1.2 Operating segments and market structure

Living and working with wood is our passion. Under the EGGER umbrella brand, we unite an extensive variety of products that are used in numerous private and public sector applications – for example: kitchens, bathrooms, offices, living rooms and bedrooms as well as in retail and gastronomy facilities, trade fairs and the commercial sector. Our direct and indirect customers include the furniture and wood industry, wood and building material retailers, home improvement markets, architects and fabricators.

Markets and production facilities

EGGER thinks global and acts local – with production facilities at **18 locations in eight countries** and products that are sold throughout the world. We see ourselves as an international company with Tyrolean roots. Our main focus is on the European market, but we also sell in strategic export markets outside Europe. A global sales organization, efficient logistics, **27 company-operated sales offices** and an international network of **retail partners in over 90 countries** ensure the systematic development of markets.



Production sites

1 St. Johann in Tirol (AT)
2 Wörgl (AT)
3 Unterradlberg (AT)
4 Brilon (DE)
5 Bevern (DE)
6 Gifhorn (DE)
7 Bünde (DE)
8 Marienmünster (DE)
9 Wismar (DE)
10 Hexham (UK)
11 Barony (UK)
12 Rambervillers (FR)
13 Rion des Landes (FR)
14 Shuya (RU)
15 Gagarin (RU)
16 Rădăuţi (RO)
17 Gebze (TR)
18 Concordia (AR)

In planning/
under construction

19 Biskupiec (PL)
20 Lexington, NC (US)

Sales locations

1 Tours (FR)
2 Kortrijk (BE)
3 Tistrup (DK)
4 Kriens (CH)
5 Treviso (IT)
6 Šenčur (SI)
7 Varaždin (HR)
8 Hradec Králové (CZ)
9 Poznań (PL)
10 Budapest (HU)
11 Smederevo (RS)
12 Sofia (BG)
13 Bucureşti (RO)
14 Gebze (TR)
15 Vilnius (LT)
16 Minsk (BY)
17 Kiev (UA)
18 Moscow (RU)
19 Almaty (KZ)
20 Shanghai (CN)
21 Tokyo (JP)
22 New Delhi (IN)
23 Santiago de Chile (CL)
24 Melbourne (AU)
25 Lexington, NC (US)
26 Buenos Aires (AR)
27 Ho Chi Minh City (VN)

In order to ensure optimal market development and close proximity to our customers, our organizational structure is based on divisions and markets. Furniture and interior construction (wood materials and accessories for decorative furniture and interior construction) is the largest product area. These products are produced and sold by the EGGER Decorative Products West, Central and East Divisions and by the new EGGER Decorative Products Americas Division which is currently in integration and/or development.

A further division, EGGER Flooring Products, produces and markets laminate flooring, Comfort flooring and Design flooring.

Independent sales organizations are responsible for building products like OSB boards.

Flooring Products

Decorative Products

Building Products

We also classify our customer groups by market into the following sales channels / branches:

- **Industry**
  covers large customers from the furniture industry and industrial customers involved in wood construction.

- **Retail**
  comprises specialized retailers that sell to fabricators, planners and architects as well as smaller to medium-sized industrial companies.

- **DIY**
  includes building material retailers and DIY stores that sell directly to consumers.

Products and services

Our product portfolio includes a broad range of materials for furniture and interior construction, building products and flooring. Many of our carrier materials undergo additional processing with modern decors and surfaces. Planed timber and sawn timber round out our offering.

Products for furniture and interior construction
Decorative products by EGGER – trendy materials and unique decor worlds for interior design that meet the needs of consumers as well as professional fabricators. We produce and market raw chipboard, MDF-boards, HDF-boards, lacquered boards, lightweight boards, melamine resin-laminated boards, PerfectSense high gloss/matt lacquered boards, laminates, pre-fabricated furniture elements, worktops, front components, windowsills, laminate bonded boards, compact boards and edgings.


Eurospan
Rawboards


Eurodekor
Melamine-faced boards


PerfectSense HighGloss/Matt
Lacquered boards


Thin chipboards


MDF boards


Thin MDF lacquered


HDF boards


Laminates


Laminated bonded boards


Compact laminates


OSB Combiline


Furniture components


Eurolight
Lightweight boards


Worktops


Front elements


Window sills


Thin chipboard support edging


ABS, PMMA, PVC, and PP edging

Construction products

We offer ecologically oriented builders a broad range of OSB-boards, OSB-flooring panels, breathable and moisture-resistant wood fiber boards and sawn timber. With our environmentally friendly materials for wood construction, we also support outstanding, high-quality individualized solutions that ensure clean and fast installing.

Timber
fresh, dried and planed

OSB
Straight edging

OSB
Tongue and groove

Ergo Board

Eurospan
raw boards

DHF Vapour-permeable wood fibreboard

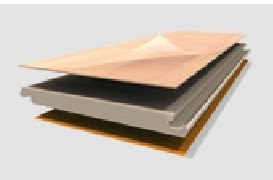
Eurospan flooring boards

Peel Clean Xtra

Decorative Protect

Flooring

Our flooring creates a pleasant and comfortable indoor environment. Whether in traditional hallways or with innovative decors and structures – we create a comfortable climate with high-quality flooring. Our laminate, Comfort and Design flooring is available in many different decors, but all with the same characteristics: fast installation, robust, resilient, easy care and environmentally friendly.



Laminate floors

Design floors

Comfort floors

Skirtings
to match the flooring decor

As of April 30, 2019 the following major products were produced at the locations listed below:

▪ Austria	St. Johann / Tirol:	Chipboard (raw and laminated), furniture components, worktops, light-weight boards, compact boards, laminates
	Unterradlberg:	Chipboard (raw and laminated)
	Wörgl:	Thin chipboard (raw and laminated)
▪ Germany	Brilon:	Chipboard (raw and laminated), MDF (raw and laminated), edgings, sawn timber, planed timber
	Wismar:	MDF (raw and laminated), OSB, flooring, adhesives
	Gifhorn:	laminates, edgings
	Bevern:	Thin MDF
	Marienmünster:	Lacquering
	Bünde:	Furniture components
▪ France	Rion des Landes:	Chipboard (raw and laminated)
	Rambervillers:	Chipboard (raw and laminated), Furniture components
▪ Great Britain	Hexham:	Chipboard (raw and laminated), adhesives
	Barony:	Chipboard (raw)
▪ Russia	Shuya:	Chipboard and thin chipboard (raw and laminated)
	Gagarin:	Chipboard (raw and laminated), MDF (raw and laminated), flooring
▪ Romania	Radauti:	Chipboard (raw and laminated), OSB, adhesives
▪ Turkey	Gebze:	Thermoplastic edgings
▪ Argentina	Concordia:	Chipboard (raw and laminated), MDF (raw and laminated), molding

We also offer our customers a wide **range of services** that simplify their work and create added value. In addition to routine personal advising, numerous innovative solutions are available to assist with processes that range from planning to product delivery. Our successful international **EGGER Decorative Collection 2017–2019** supports the direct expansion of partnerships with the retail trade, architects, planners and fabricators. Similar benefits are available in the flooring area with our **EGGER PRO Collection 2018–2020**. Our customers are connected electronically via **EDI** (Electronic Data Interchange) and online portals, and product samples can be ordered directly from an **online sample shop**. An **online design consultant** provides customers with easy orientation and inspiration as well as 3D digital images of the surface structures.

Our **Virtual Design Studio (VDS)** was further improved during the past year. EGGER flooring and furniture decors can now be inserted and compared in different room scenarios. For wood construction, a **catalogue** with products for walls, ceilings and roof extensions is available as both a manual and app.

1.2 Corporate Management, Goals and Strategy

1.2.1 Strategic focus

The family-owned EGGER company, which was founded in 1961, has grown from a Tyrolean chipboard manufacturer to become one of the leading wood materials producers in Europe. The past financial year marked the next major step into overseas markets. Our corporate vision reflects the claim:

"To be Europe's leading brand for wood-based solutions."

The EGGER Group follows a long-term, profitable international growth strategy. Only a leading market position and sound profitability can create the foundation for investments and further growth. Short- and medium-term objectives in all areas are always focused on overriding strategic goals and adapted to reflect the company's changing environment. In order to safeguard the realization of our strategic goals, we have defined clear financial targets that form the framework for the financial viability and profitability of investments and management decisions.

Strategic medium-term forecasts are prepared annually and include the definition and planning of specific Group-wide goals and measures as well as investment focal points for the next five financial years.

Our strategic focus is derived from the **mission statement**, which serves as an orientation and guideline for everyday work.

The five central principles of our mission statement contain both strategic and financial goals:

Internationality

We produce and sell our products in **Europe** and **America**. Key strategic markets without EGGER production facilities are serviced by sales offices. We also work with **strategic customers** in export markets where we do not maintain sales offices. The expansion of existing locations and the construction or acquisition of new locations is always dependent on the availability of wood supplies, the market characteristics and logistics. In Western Europe and Turkey, we are expanding our market position by investing in existing plants. The investments planned for Eastern Europe, Russia and **markets outside Europe** also include new production facilities and acquisitions to support further growth.

Innovation

The development and continuous improvement of our products, processes and services are based primarily on the creation of **benefits for our customers**. This forms the starting point for **increasing productivity** and strengthening long-term **profitability**. Innovation protects our market position as a leading brand for living and working with wood, whereby the **environment and sustainability** play an important role in these efforts. Our employees are actively included in and support the innovation process through idea management.

Integration

We integrate the **process-related partners** in our value chain – from end customers to suppliers. Our objective is to establish **integrated locations** for raw materials, energy and our strategic product groups and thereby optimize investments and realize synergies in raw material utilization, logistics and organization. Innovative procurement strategies and **selective backwards integration** safeguard our supplies of raw materials, energy and operating supplies. Various procurement and investment activities ensure sufficient supplies of wood, which is our most important raw material. In the sales area, we have developed differentiated concepts for our three **strategic sales channels**: Industry, Professional (retail, fabricators and architects) and DIY. The current and future needs of customers form the foundation for this work and strengthen EGGER's position as a leading **service brand**.

Identification

We have set a goal to be the **best employer** in each of our relevant labor markets. We are a modern, transparent family-owned company whose corporate culture is based on **consideration, trust, mutual respect and loyalty**.

> "Our corporate culture is based on **consideration, trust, mutual respect and loyalty.**"

Moreover, we rely on the continuous improvement of our **leadership methods**, the creation of strong ties with valuable employees through a good working and operating environment, **long-term personnel development** and proactive recruitment to maintain the best possible balance between the interests of employees and the employer. These objectives are underscored by contemporary working time and remuneration models as well as a health management system and the promotion of internal careers. We believe in an active feedback culture and record data on and support the satisfaction of our employees.

Financial goals

Profitable growth is a focal point of our strategy. The related financial goals form the basis for evaluating the financial feasibility and profitability of investments and management decisions. Key goals for our financing activities include the **protection of liquidity** as well as the **diversification of capital sources** and **financing instruments**. The following **indicators** are used to evaluate the implementation and measurement of goal achievement over the medium-term:

- Net debt/EBITDA ‹ 3 years
  (at the Group level)
- Equity ratio › 30 %
  (at the Group level)

1.2.2 Value management

Our goal is to create **profitable growth**. Only a leading market position makes it possible to generate sufficient profitability which, in turn, forms the basis for investments and further development. This belief is supported by **EGGER value management** with its central focus on a sustainable increase in the company's value. The principles of value management are derived from our strategy and the related corporate goals.

Within the framework of value management, we are committed to realizing a **systematic and sustainable increase in the value of the company over the medium- to long-term**. This goal is linked to establishing a balance between the interests of owners, customers, suppliers and employees. Increasing the value of the company requires consequent actions that are based on our value management. Specific drivers are identified to create and maintain value through optimization and growth at all levels in daily business operations. **Training courses and workshops** are held for the managers and employees in relevant areas at regular intervals to provide coaching in value-oriented thinking, calculations, actions and management and to help these men and women focus their decisions accordingly.

Our most important indicator for value-oriented management is **CFROI** (cash flow return on investment). As a sustainable, medium-term target, we have defined a minimum return of 10 % (target rate) for all areas of the company.

Our **external financing** is based on three elements: bank financing, capital market financing and a factoring program. The key indicators for external financing contracts are net debt ‹ 3.75 years and an equity ratio › 25 %. We communicate with lenders through regular bilateral discussions, information events and our credit relations website: www.egger.com/credit-relations.

1.3 The Development of Business

1.3.1 The economic environment and influencing factors

The development of our business is influenced, above all, by the following key factors:

- Our business activities are closely linked to the **development of the economy** and the gross domestic product (GDP) in all countries where we are present. GDP growth influences the purchasing power and investment behavior of private households and business customers and, in this way, has an impact on our customers and their business with our company.

- The **development of the construction industry** and the resulting **renovation activity** (renovation cycles based on past construction) have a significant influence on the demand for wood materials. The development of new construction, in particular, has a direct impact on the demand for building products (OSB or sawn timber). Sales of our flooring products are influenced not only by new construction, but also by renovation. Important customer groups for our decorative wood products are the kitchen and office furniture industries, whose business is heavily influenced by renovation and by residential and commercial construction. Important drivers for new residential construction include demographic developments, bank lending policies, interest rate trends and consumer confidence.

- Business in the EGGER Decorative Products Divisions is heavily influenced, above all, by **developments in the furniture industry**, which is the most important customer for laminated wood materials.

- The **development of competition** in the wood materials industry also has a significant impact on our business. Newly constructed capacity or the shutdown of production facilities or equipment can lead to major shifts in market shares and/or to a surplus or shortfall of market capacity and thereby have a substantial influence on market prices.

- As an industrial company that uses substantial quantities of raw materials, we are also heavily dependent on the **availability and price levels of key raw materials**.

1.3.2 Economic developments in Europe and the world

The strong growth that characterized 2017 and the beginning of 2018 was followed by increasing weakness during the second half of the previous year, whereby the major economies were influenced by different factors:

The decline in growth experienced by China resulted, on the one hand, from the tightening of regulations to contain the shadow banking business and, on the other hand, from the rising trade tensions with the den USA.

The Eurozone economy lost momentum at a surprisingly fast rate. The decline in consumer confidence was accompanied by a deterioration in the general business climate. Germany was stressed by the effects of the new emission standards on automobile production. Italy was faced with a decline in investments, the expansion of government bond issues and a reduction in foreign demand, above all from the emerging countries in Asia.

Activities in Japan were adversely affected by natural disasters. Trade tensions had an increasingly negative effect on corporate sentiment, which subsequently spread to the financial markets. Financial conditions tightened in spring 2018, especially for vulnerable emerging countries, but also reached more developed economies at a later date. This, in turn, had an adverse effect on global demand.

Growth rates for real GDP (gross domestic product) in%	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
World	3.4	3.8	3.6	3.3	3.6	3.6	3.6	3.6	3.7
Industrial countries	1.7	2.4	2.2	1.8	1.7	1.7	1.6	1.6	1.6
Emerging / developing countries	4.6	4.8	4.5	4.4	4.8	4.9	4.8	4.9	4.9
European Union	2.1	2.7	2.1	1.6	1.7	1.7	1.6	1.6	1.6
Euro zone	**2.0**	**2.4**	**1.8**	**1.3**	**1.5**	**1.5**	**1.4**	**1.4**	**1.4**
Latin America	−0.6	1.2	1.0	1.4	2.4	2.6	2.8	2.9	2.8
Argentina	−2.1	2.7	−2.5	−1.2	2.2	3.2	3.4	3.6	3.6
Brazil	−3.3	1.1	1.1	2.1	2.5	2.2	2.2	2.2	2.2
Austria	2.0	2.6	2.7	2.0	1.7	1.6	1.5	1.5	1.5
Belgium	1.5	1.7	1.4	1.3	1.4	1.5	1.5	1.5	1.5
China	6.7	6.8	6.6	6.3	6.1	6.0	5.8	5.6	5.5
Czech Republic	2.5	4.4	2.9	2.9	2.7	2.5	2.5	2.5	2.5
France	1.2	2.2	1.5	1.3	1.4	1.5	1.5	1.5	1.6
Germany	2.2	2.5	1.5	0.8	1.4	1.5	1.4	1.3	1.2
Greece	−0.2	1.5	2.1	2.4	2.2	1.6	1.2	1.2	1.2
Italy	1.1	1.6	0.9	0.1	0.9	0.7	0.6	0.6	0.6
Japan	0.6	1.9	0.8	1.0	0.5	0.5	0.5	0.5	0.5
Netherlands	2.2	2.9	2.5	1.8	1.7	1.5	1.5	1.5	1.5
Poland	3.1	4.8	5.1	3.8	3.1	2.8	2.8	2.8	2.8
Romania	4.8	7.0	4.1	3.1	3.0	3.0	3.0	3.0	3.0
Russia	0.3	1.6	2.3	1.6	1.7	1.7	1.6	1.6	1.6
Spain	3.2	3.0	2.5	2.1	1.9	1.7	1.7	1.7	1.6
Turkey	3.2	7.4	2.6	−2.5	2.5	3.0	3.0	3.5	3.5
Great Britain	1.8	1.8	1.4	1.2	1.4	1.5	1.6	1.6	1.6
USA	1.6	2.2	2.9	2.3	1.9	1.8	1.6	1.6	1.6

Source: International Monetary Fund, World Economic Outlook Database, April 2019

1.3.3 The construction industry in Europe

The EUROCONSTRUCT countries reported further sound growth in construction output during 2018, but the 3 % increase was substantially lower than the over 4 % recorded in 2017. Annual growth rates are projected to decline gradually up to the end of the forecast period in 2021, when production is estimated at less than 1.5 %. An increase in construction activity is, however, expected in 15 of the 19 member countries.

Building construction is increasing at a significantly slower pace than in 2016 and 2017, but the civil engineering sector gained considerable momentum during 2018 and a further strong phase is projected for the current year. This segment should generate the highest growth rates by far during the forecast period up to 2021. New residential construction, which rose by one-third during the five-year period from 2014 to 2018, is unlikely to see any growth beginning in 2020. The last major increase in apartment completions, for the time being, is expected in 2019.

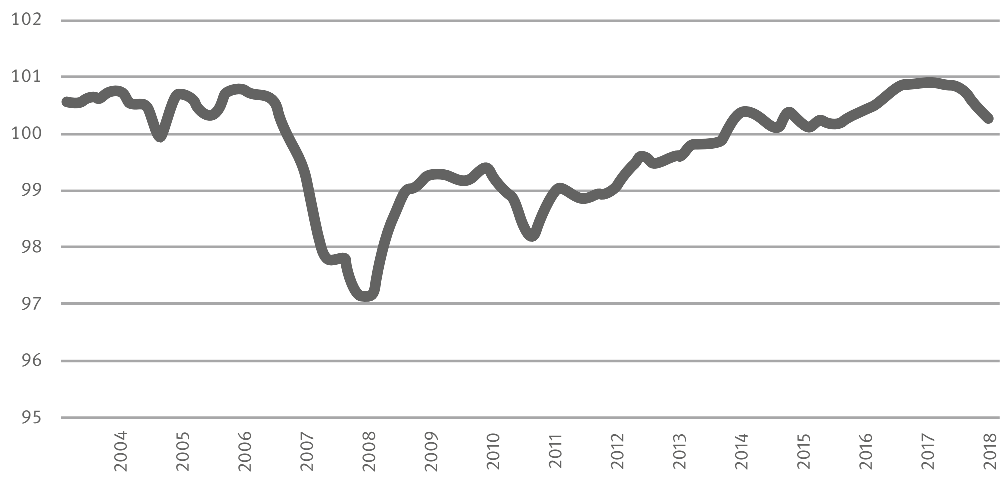
(Source: ifo Schnelldienst 2/2019 – Selected results from the EUROCONSTRUCT winter conference 2018)

Consumer confidence

The OECD's **consumer confidence index** shows a relatively constant trend over the past years. By mid-2018 the index had returned to the level before the 2007/08 crisis, but the past half-year brought a substantial decline that reflected the data at the end of 2011. This development resulted from a sharp drop not only in Russia and Turkey, but also in Europe, and especially in Great Britain and France. In contrast, the index for Germany and the USA has been relatively stable. Consumer confidence in China remains unbroken at a record high level and has risen even further in recent months.

(Source: OECD)

OECD consumer confidence index



Source: OECD

1.3.4 The furniture industry

The world's most important furniture producer is China with 39 % of global production. Other key countries in this segment are the USA, Germany, Italy, India, Poland and Vietnam. Production in Asia and the Pacific countries more than doubled from 2009 to 2018, while growth in the other regions was comparatively lower. Consequently, more than half of worldwide furniture production in 2018 originated in the Asia-Pacific region.

International furniture sales totaled approximately USD 150 billion in 2018, and further growth is forecasted for 2019 and 2020. Increasing trade tensions and protectionist measures will, however, have a negative effect on this estimate.

Global furniture consumption is expected to rise by a real 3.2 % in 2019. Growth will again be strongest in the Asia and Pacific region, while the other regions should record a real increase of 1 % to 3 %.

(Source: CSIL World Furniture Outlook 2019)

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1.3.5 Competitive position

We are one of the leading companies in the European wood materials industry. Our objective is to develop and maintain a strong position on all relevant markets with our core products. A wide-ranging product portfolio makes us a complete supplier for decorative wood materials, wood construction and flooring.

The competitive situation for decorative wood materials
Considerable movement was noted during 2018, above all in the surfaces branch: A number of sales processes were initiated in the laminates area, and there are indications of major shifts in the decorative printing branch.

In the wood materials industry, the prior year trends carried over into 2018: The European groups and the Chilean Celulosa Arauco y Constitución SA are continuing their international expansion. Investment activity by Turkish companies is slowing as a result of the increasingly difficult local conditions. The new investments and expansion projects in Poland and the neighboring European countries will serve as a source of ongoing changes in chipboard and MDF/HDF capacity.

Further consolidation steps are evident in North America as a result of investment projects undertaken by South American and European companies. In addition to EGGER, the Swiss Krono Group and Kronospan are also working on investment projects. (Source: EUWID)

The competitive situation for flooring
There are signs of an improvement and slight growth on the flooring market in Europe, but with regional differences. However, this recovery has not yet reached the laminate flooring segment. The laminate flooring market remains on a decline in Western Europe, while an improvement is visible in Eastern Europe. The Russian market is highly contested due to excess capacity, but there are signs of a beginning positive trend.

The decline in the western markets is a result of the rapidly growing availability of new competing materials: LVT design flooring and, most recently, SPC flooring (rigid vinyl flooring), as well as ceramic flooring. This growth is proceeding at the expense of laminate flooring.

The laminate flooring market is still characterized by excess capacity, which has led to strong pressure on prices and aggressive competition. Laminate flooring suppliers without internal HDF capacity are coming under increasing pressure, and this situation is not expected to improve substantially in 2019/20. The market for polymer-based design flooring will continue to grow over the coming years and spread from Western to Eastern Europe. Another focal point will be the developments on the overseas markets and in North America. Growth is also forecasted for the laminate flooring market in China. In the USA, LVT flooring has already outpaced laminate flooring with regard to market share, and the trend is pointing upward.

The competitive situation for building products

There has been a change in the overall demand for OSB since late summer 2018: Although supply requirements remain at a high level, surplus purchases from the first half of 2018 have led to a decline in demand. However, the demand across Europe has stabilized at a normal level since the beginning of 2019. A decline in overseas demand, market weakness as the result of political or economic factors, an increase in OSB capacity and, in part, a sharp drop in plywood prices are responsible for the current OSB surplus in Europe.

OSB continues to establish a position in many application areas. The demand is rising, but cannot keep pace with the market changes and capacity expansion. In addition, the development in most European countries is limited by a lack of specialized personnel. The demand for housing is still very high, but the possibilities for new residential construction have been largely exhausted. More than ever, the demands of the market are concentrating on strong fabricators and industrial production.

Capacity utilization at our OSB plant in Wismar (DE) remains good. Stable production, a clear sales orientation and our proven reliability allow us to offer products which meet market requirements. The pressure on volumes and prices in most of our markets has been increased by the above situation. In Eastern Europe, we are still feeling the negative effects of developments in markets like Turkey, Romania and Ukraine. These developments, combined with the rising OSB capacity, continue to support a production surplus. Demand at our OSB plant in Radauti (RO) is under pressure, but at a sound level. Timber supplies for this facility are difficult, but the required supplies have been met through quality, reliability and shifts to other markets.

The prices for chemical raw materials have stabilized, but are now increasing. Supplies of PMDI (a binding agent used in wood boards) are stable and secured at the present time. Timber supplies and the development of the related prices remain the greatest challenge. Storm damage in forests creates an oversupply of timber which, however, cannot be used in all areas. Good capacity utilization in the sawmills and the high availability of sawn timber create further pressure on OSB products. Timber as a raw material therefore remains an important regulating factor. The full extent of the expected increase in freight costs has not materialized to date. The availability of cargo space, in particular, creates a tense situation for us and for our customers, not least also due to the shortage of drivers.

1.3.6 Raw material supplies and prices

Expenditures for raw materials and energy represent a major component of our total costs. Accordingly, our **top priorities** include the protection and continuous improvement of supply availability and the monitoring of price trends for key raw materials on procurement markets. Raw materials supplies are generally purchased from long-term partners. The most important raw materials, e.g. wood, chemicals and paper, are managed by a **central procurement department**, which supports the local plants in their purchasing activities and also identifies and optimizes synergies for the Group.

Prices on the raw materials markets were generally **stable** in 2018/19.

Securing adequate supplies of **timber** represents the most important aspect of our raw materials procurement. In particular, the growing use of this product for thermal energy generation (biomass power plants, pellets, bio-fuels) has a long-term influence on timber prices. The average purchase price for timber increased during the past financial year, whereby developments differed on a regional basis. In order to safeguard and improve timber supplies, we rely primarily on long-term partnerships and contracts with our suppliers and are also developing a **backwards integration** strategy. This includes investments in a company-owned sawmill and a forestry management and wood recycling company as well as short rotation plantations, harvesting and logistics systems.

In the **chemicals** area, a substantial part of our adhesive and impregnating resin requirements are covered by our **own adhesive plants** in Wismar (DE), Radauti (RO) and Hexham (UK).

In addition to wood and chemicals, **raw and decor papers** for the production of laminating materials represent the third major component of raw material supplies. Paper prices also stabilized in 2018/19, similar to the development of wood and chemical prices. We rely on a central procurement structure for our paper supplies, based on the objective of concluding medium-term contracts with leading suppliers.

The purchase prices for **electricity** followed an upward trend during the reporting year. The natural gas price has a lesser influence on the Group because the generation of energy in modern **biomass power plants** holds gas consumption at a low level at all major locations. Our objective is to minimize the use of fossil fuels, while avoiding the thermal utilization of raw materials that can be used in production as part of the wood lifecycle. We are opposed to the one-sided subsidy of wood burning for thermal energy generation and support the **cascading use of wood**. Under this second approach, wood is used as an input material as long as possible before final thermal utilization. Our plants in Unterradlberg (AT), Wismar (DE), Brilon (DE), Radauti (RO) and Rambervillers (FR) produce electricity with their own combined power and heat generation equipment and thereby maximize energy generation efficiency.

1.3.7 Business development in 2018/2019

The EGGER Group generated **consolidated revenues** of EUR 2,841.5 million in 2018/19, for a year-on-year increase of 5.6%.

Decorative materials for furniture and interior construction represented the largest product area in 2018/19 with a 76.0% share of Group revenues. In this area, revenues rose by 3.9% year-on-year to EUR 2,414.1 million (2017/18: EUR 2,323.3 million).

- The Decorative Products Central Division generated revenues of EUR 862.4 million, which corresponds to an increase of 2.1% over the previous year.
- The Decorative Products West Division increased revenues by 8.5% to EUR 714.0 million.
- The Decorative Products East Division recorded a 2.1% plus in revenues to EUR 837.7 million.

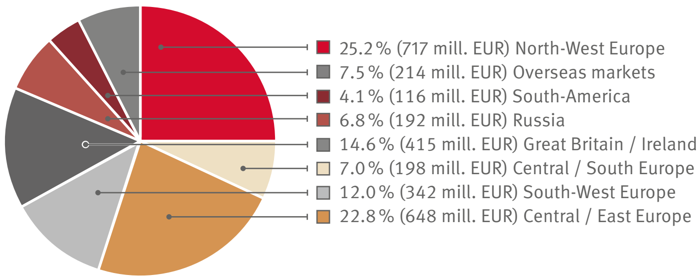
The Flooring Products Division was responsible for 14.1% of Group revenues and recorded an increase of 5.0% over the previous year to EUR 447.0 million (2017/18: EUR 425.8 million).

The recently established Other Segment reported revenues of EUR 313.7 million, which amount to 9.9% of Group revenues. The year-on-year growth in revenues equaled 24.8% and resulted from the first-time inclusion of the Concordia plant (AR) for a full financial year as of April 30, 2019.

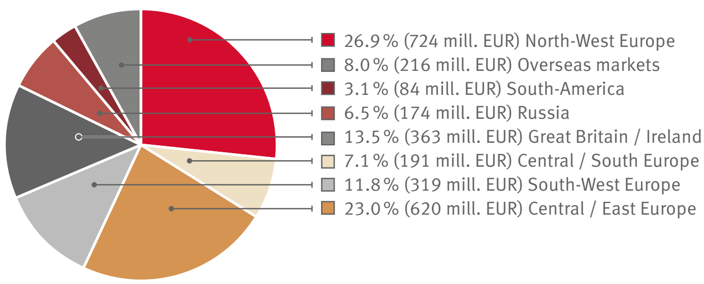
The retail trade and industry also remained the most important sales channels in 2018/19 with a share of 51.1% and 41.8%, respectively, of consolidated revenues (2017/18: 50.4% and 42.5%). The shift in favor of the retail trade reflects our strategy. Revenues in the DIY sales channel matched the previous year at 7.1% (2017/18: 7.1%).

In spite of our progressive internationalization, we are still active primarily on the European wood materials market. The following graphs show the classification of revenues by region, based on the location of the customers:

Revenues by sales region (FY 2018/2019)



Revenues by sales region (FY 2017/2018)



1 North-West Europe comprises Germany, Belgium, the Netherlands, Luxembourg and Scandinavia
2 Central-South Europe comprises Austria, Switzerland and Italy
3 Central and Eastern Europe includes, above all, Czech Republic, Slovakia, Poland, Hungary, Romania, Bulgaria, Serbia, Croatia, Slovenia, Ukraine, Belarus, Latvia, Estonia, Lithuania, Turkey, Greece and the Near East
4 South-West Europe covers France, Spain and Portugal
5 The Overseas region covers all countries outside Europe, with the exception of South America

Our most important geographic market is **Western Europe**, which covers the following sales regions: North-West Europe, Great Britain and Ireland, South-West Europe and Central-South Europe. The West European market showed stable year-on-year development in 2018/19 with 58.9 % of Group revenues (2017/18: 59.4 %). The significance of Germany for the wood materials market is based on the size of the population and, above all, on the furniture industry, which is heavily represented in this country. German furniture manufacturers export their products to many other regions and have a high demand for wood materials.

The markets in **Central & Eastern Europe** and **Russia** generated 29.5 % of Group revenues in 2018/19 (2017/18: 29.5 %). Business development was negatively influenced by lower revenues from the Flooring Products Division in Turkey, but these effects were offset by growth in other areas of the region.

The **countries outside Europe** (South America and the Overseas region) are playing an increasingly important role for EGGER. Revenues in this region rose to 11.6 % of Group revenues in 2018/19 (2017/18: 11.1 %), whereby the new plant in Argentina made a substantial contribution to this growth. Revenues in the Overseas sales region were stable in 2018/19.

Business development in 2018/19 by division

Revenues in the **Decorative Products Central Division** rose by 2.1% year-on-year to EUR 862.4 million in 2018/19 and represent 27.2% of Group revenues. Industrial and retail are the most important sales channels for this division. Higher sales volumes were recorded, above all, for kitchen worktops and laminates.

The **Decorative Products West Division** recorded revenues of EUR 714.0 million (+8.5% over the previous year), or 22.5% of Group revenues. Revenue growth in this division was supported, above all, by higher sales in Great Britain and in South-West Europe. The strongest growth was recorded with our main product, laminated chipboard.

The **Decorative Products East Division** increased revenues by 2.1% to EUR 837.7 million and was responsible for 26.4% of Group revenues. Lower sales in Turkey and in the OSB product group were offset by higher sales in Central & Eastern Europe and Russia. Laminated chipboard is also the main product in this division.

In our **Flooring Products Division**, revenues rose by 5.0% to EUR 447.0 million in 2018/19 and represent 14.1% of Group revenues. Declines in China, Romania and Turkey were contrasted by revenue growth in Spain, Russia, Great Britain, Germany and Italy. Our strategic focus for this division lies on strengthening revenues with our own collection merchandise (share of revenues: approx. 52%) and with Design and Comfort flooring.

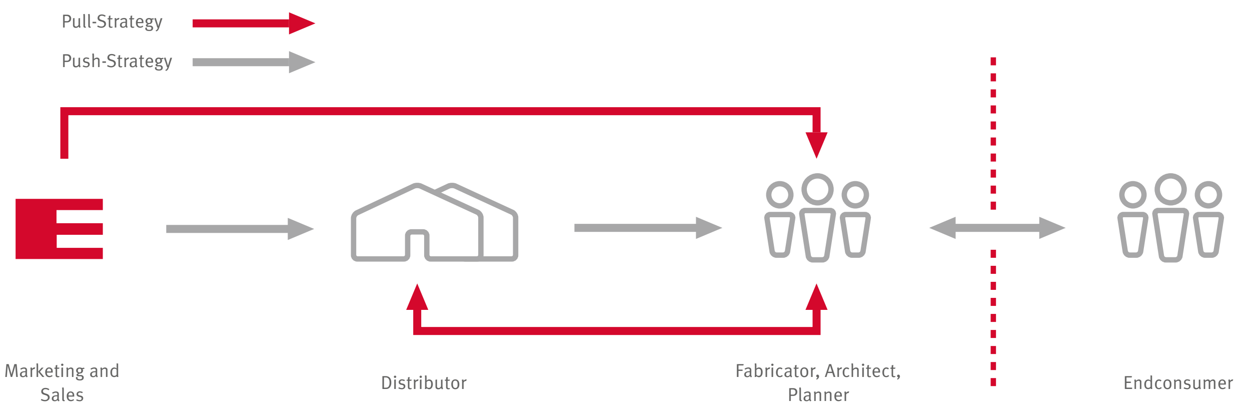
Revenues in the **Other Segment** rose by a substantial 24.8% over the previous year to EUR 313.7 million in 2018/19. A large part of this increase is attributable to our plant in Concordia (AR), which was only included in the prior year results for seven months due to the acquisition in October 2017. Revenue growth was also supported by the rising demand for sawn timber, above all from the North American market.

Revenues by Segment / Division		2018/2019	2017/2018	2016/2017	Dev. in % 2019–2018
Decorative Products Central	EUR mill.	862.4	844.7	763.2	2.1%
Decorative Products West	EUR mill.	714.0	657.8	612.8	8.5%
Decorative Products East	EUR mill.	837.7	820.8	741.4	2.1%
Flooring Products	EUR mill.	447.0	425.8	390.0	5.0%
Others	EUR mill.	313.7	251.4	156.1	24.8%
Total (unconsolidated)	**EUR mill.**	**3,174.8**	**3,000.5**	**2,663.5**	**5.8%**
Consolidation	EUR mill.	−333.3	−310.4	−278.7	7.4%
Total	**EUR mill.**	**2,841.5**	**2,690.1**	**2,384.8**	**5.6%**

Share of unconsolidated Revenues		2018/2019	2017/2018	2016/2017
Decorative Products Central	in %	27.2%	28.2%	28.7%
Decorative Products West	in %	22.5%	21.9%	23.0%
Decorative Products East	in %	26.4%	27.4%	27.8%
Flooring Products	in %	14.1%	14.2%	14.6%
Others	in %	9.9%	8.4%	5.9%
Total	**in %**	**100.0%**	**100.0%**	**100.0%**

1.3.8 Marketing and sales

Our marketing activities are focused primarily on a professional, multi-stage sales channel, i.e. the distributor, fabricator (carpenters, floor layers, wood constructors) and architect target groups.



This "pull" marketing approach is very important for the Group as a whole, whereby we integrate our retailers' customers (architects, craftsmen, etc.) as decision-makers in our marketing activities.

The Group's marketing activities focused on the following in 2018/19:

Communications for the **EGGER Decorative Collection** during the past financial year included numerous regional activities as well as two Group-wide campaigns:

- The **Feelwood Campaign** for architects, fabricators and retailers was designed to position our Feelwood synchronous pored surfaces as a premium product category and create greater attention for the new decors. The campaign included cross-media elements, among others digital 3D-structure visualization via the virtual design studio (VDS) and the introduction of an e-learning application for the Feelwood products.
- The **Kitchen Campaign** for fabricators, architects and retailers. The development of a worktop production line at our new plant in Biskupiec (PL) will make EGGER one of the leading worktop producers in the world. The campaign was therefore directed to position EGGER's wide-ranging worktop portfolio under the motto "More than worktops".

The EGGERZUM 2019 in-house trade fair under the motto "MORE+less"

More than ever, this year's presentation of innovations for the furniture industry reflected the combination of widely differing styles. In Brilon (DE), we welcomed leading customers in the European furniture industry at our EGGERZUM in-house trade fair.

EGGER inside "The all-round package"

Our EGGER inside was introduced in January 2019 at the BAU trade fair in Munich. The all-round package allows carpenters to realize digital projects and combines the carpenter's digital marketing in his or her region with the online configuration of furniture.

Worktop configurator

Our new worktop configurator has been available to carpenters, cabinetmakers and retailers since the beginning of 2019. This service makes it possible to plan and realize worktops, back panels and side panels easily, efficiently and in top quality. The configurator is operated intuitively and is initially available online for our German-speaking customers in the myEGGER customer portal.

Fast growth for the EGGER House network in Argentina

Following the acquisition of the Concordia plant and the related sales and marketing activities in Argentina in October 2017, we developed a new marketing concept for the existing retailer network. The innovative **EGGER House** concept has already been implemented at 16 retail outlets in Argentina, and a further 40 are scheduled to follow next year.

EGGER House is a unique business model in the EGGER Group, which represents a milestone in the history and for the growth of the EGGER Group at the international level. The recipe for success involves comprehensive support for specialists at the retail locations through access to innovative products and services as well as high-quality advising. The value proposition of EGGER House combines all aspects required for the successful realization of furniture, flooring and wood construction projects.

"Water-resistant Flooring" and "Comfort Flooring" product campaigns

Two product campaigns were launched in 2018/19 to strengthen product communication on our added value laminated flooring products – Aqua+, Design and Comfort Flooring:

- "Water-resistant Flooring" campaign with the Laminate Aqua+ and Design Flooring product groups in autumn 2018
- "Comfort Flooring" campaign in spring 2019

These campaigns were carried out for the EGGER PRO (for the retail/fabricator sales channel) and EGGER HOME (for the DIY sales channel) flooring collections. Both were directed to end consumers and designed to increase consumers' awareness of EGGER as a leading flooring producer. These multimedia campaigns used both online and offline tools and included continuous social media support before and during the entire running time.

"Best of Heimwerker Praxis" Award

The DIY and test magazine **"Best of Heimwerker Praxis"** selected two products from our extensive portfolio and examined them in detailed application tests. The **EGGER HOME Comfort flooring EHC011 (Halifax oak)** convinced the experts with its appearance and functionality, and received a rating of 1.4. The flooring specialists at "Heimwerker Praxis" were particularly impressed by the acoustic and thermal insulating properties of the Comfort flooring.

The second test product, **EGGER HOME laminated flooring EHL 106 (Creston oak natural)**, also received the "Best of 2019" quality seal. In addition to its appearance, the test product excelled with its water resistance and robustness.

Launch of EGGER flooring in North America

For the market launch of EGGER Flooring in North America, we created and produced a collection with 40 selected laminate and eight Comfort decors which was then shipped overseas. This represented a key step in preparing for the successful launch of **EGGER flooring in the USA and Canada** during the 2019/20 financial year.

Relocation of flooring marketing from St. Johann to Wismar

The strategic decision to relocate the marketing team from the headquarters in St. Johann (AT) to Wismar (DE) was made, communicated and realized in summer 2018. This change reflects the continuing concentration of our flooring activities in Wismar in order to be closer to production and product management and support the utilization of synergies. A complete team in Wismar took over their new responsibilities at the end of the 2018/19 financial year. The new marketing staff received detailed training, and outstanding projects were transferred from the employees in St. Johann.

High-quality solutions and new digital services for wood construction

In order to strengthen the market recognition of our EGGER Building Products Division as one of the leading suppliers of wood (construction) products, we are working continuously to develop and improve our targeted product portfolio and service offering.

Wood construction has become increasingly important in recent years and has led to a steady rise in the share of these projects in relation to the total volume of construction. We offer suitable materials for wood construction which meet the high requirements over a longer period of time. Our focus for the DACH market is on quality assurance for our products and services. With the **EGGER OSB 4 TOP**, we offer a board specially optimized for wood construction. It meets all requirements with its excellent product features and guarantees solid construction for generations.

Wood construction has also entered the digital age and gained a standing as a pioneer on innovative issues like **Building Information Modeling** (BIM). Faster, integrated and, as a result, error-free and more cost-efficient construction: all this is possible with BIM. In order to support architects and planners with their BIM or CAD planning, we now also offer the certified building components from our EGGER construction catalogue for exterior walls, partition walls, timber ceilings and roofs for download in various **digital data formats** on our website.

The **OSB board with tongue and groove profile** is used in ceiling and roof applications. Both products are gaining greater acceptance in Eastern Europe, which has led to an increase in the usage rate.

In the Scandinavian countries, we increased the market share of **EGGER Ergo boards**. This product was developed especially for drywall construction. It is glued without formaldehyde, has high structural strength and, with its optimized handling, is the ideal alternative to plywood.

1.3.9 Production

Capacity utilization in our major production facilities was very good during 2018/19 and led to a further year-on-year increase in production volumes at the primary plants. A slight decline was only recorded by our in-house adhesives production.

The production of raw chipboard, including sawn timber, rose by 3.5 % to 8.8 million m³, which represents full capacity utilization in our primary production facilities. The year-on-year increase resulted chiefly from our new plant in Concordia (AR), which was acquired in October 2017 and therefore only included in the previous financial year for seven months. We also recorded an increase in the production of MDF/flooring in Gagarin (RU) and sawn timber at the sawmill in Brilon (DE).

The production of impregnates rose from 924.1 million m² to 961.0 million m². In addition to our new plant in Concordia (AR), this growth was also supported by the expansion of impregnating capacity in Gagarin (RU).

Laminate production in Gifhorn (DE) totaled 37.8 million m² in 2018/19 (2017/18: 35.3 million m²).

The raw chipboard produced during the reporting year was processed as follows:

- 308.0 million m² were laminated (2017/18: 295.2 million m²)
- 58.2 million m² were converted into flooring (2017/18: 54.9 million m²)
- 35.3 million m² were processed into furniture components and worktops (2017/18: 37.8 million m²)

Production Development		2018/2019	2017/2018	2016/2017	Dev. in % 2019 – 2018
Rawboard incl. timber	m³ mill.	8.8	8.5	7.9	3.5 %
Impregnated paper	m² mill.	961.0	924.1	870.3	4.0 %
Laminates	m² mill.	37.8	35.3	33.2	7.1 %
Glue	TO thsd.	559.1	578.5	576.5	−3.3 %

2 Earnings, Financial and Asset Position
2.1 Earnings

2.1.1 Revenues

The EGGER Group recorded consolidated revenues of EUR 2,841.5 million in 2018/19 (2017/18: EUR 2,690.1 million), for an increase of 5.6 % over the previous year. Growth was reported by all divisions, whereby the largest contribution was made by the Other Segment through the inclusion of results from the Concordia plant (AR) for a full 12 months.

A detailed description of the development of business in the individual divisions during the reporting year is provided under point 1.3.7.

2.1.2 Earnings

Earnings Indicators		2019/2018	2017/2018	2016/2017	Dev. in % 2019–2018
Revenues	EUR mill.	2,841.5	2,690.1	2,384.8	5.6 %
Adjusted EBITDA*	EUR mill.	425.0	445.8	363.7	−4.7 %
Adjusted EBITDA margin*	in %	15.0 %	16.6 %	15.3 %	
EBITDA	EUR mill.	450.6	408.1	363.7	10.4 %
EBITDA margin	in %	15.9 %	15.2 %	15.3 %	
Adjusted EBIT**	EUR mill.	233.4	246.4	158.0	−5.3 %
EBIT	EUR mill.	168.7	208.7	158.0	−19.1 %
Financial results***	EUR mill.	−12	−39.7	−35.8	−69.7 %
Profit before tax (PBT)	EUR mill.	156.7	169.0	122.2	−7.3 %
Profit after tax (PAT)	EUR mill.	154.7	164.5	90.3	−6.0 %

The amounts reported as of April 30, 2018 were adjusted to reflect the application of IAS 29.

* Operative EBITDA without appreciation IAS 29 and before the addition to, resp. increase in the provision for long-service bonuses in FY 2017/2018

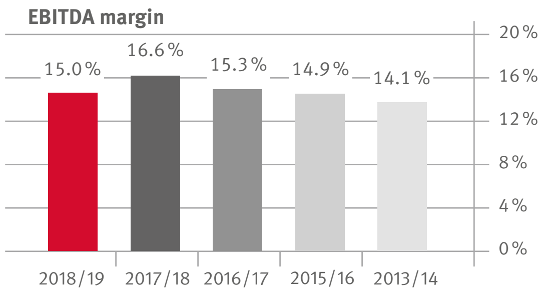
** Operative EBIT without appreciation IAS 29 and without impairment from plant Concordia (AR) in FY 2018/2019 and before the addition to, resp. increase in the provision for long-service bonuses in FY 2017/2018

*** Includes income form financial investments and associates

EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for the revaluation of the Concordia plant (AR) based on the application of IAS 29, totaled EUR 425.0 million in 2018/19. This represents a decline of 4.7 % compared with the previous year (2017/18: EUR 445.8 million) and is attributable to the Decorative Products Central (−7.6 %), Decorative Products West (−0.7 %) and Decorative Products East (−6.0 %) Divisions. The Flooring Products Division reported year-on-year earnings growth of 18.2 %. In the Other Segment, negative earnings increased by 9.6 % from EUR −26.5 million to EUR −29.0 million.

The adjusted EBITDA margin was slightly lower than the previous years at 15.0 % in 2018/19, but still reflects our long-term target.

EBIT (earnings before interest and taxes), excluding the IAS 29 revaluation and the impairment loss of the Concordia plant (AR), totaled EUR 233.4 million (2017/18: EUR 246.4 million). Profit before tax equaled EUR 156.7 million (2017/18: EUR 169.0 million). After the deduction of income taxes, net profit amounted to EUR 154.7 million (2017/18: EUR 164.5 million).



Development of earnings in the segments / divisions

EBITDA* by Segment/Division		2018/2019	2017/2018	2016/2017	Dev. in % 2019–2018
Decorative Products Central	EUR mill.	149.4	161.7	119.6	−7.6 %
Decorative Products West	EUR mill.	114.4	115.3	97.3	−0.7 %
Decorative Products East	EUR mill.	158.1	168.2	145.5	−6.0 %
Flooring Products	EUR mill.	32.1	27.1	40.7	18.2 %
Others	EUR mill.	−29.0	−26.5	−39.3	9.6 %
Total	**EUR mill.**	**425.0**	**445.8**	**363.7**	**−4.7 %**

* Operating EBITDA without appreciation IAS 29 and before the addition to, resp. increase in the provision for long-service bonuses in FY 2017/2018.

Development of earnings in the Decorative Products Central Division

EBITDA in our Decorative Products Central Division was 7.6 % lower year-on-year at EUR 149.4 million in 2018/19. This decline resulted primarily from two factors related to the plant in Brilon (DE): start-up losses on the edging production which began in 2017/18 and temporary purchases made necessary by the renovation of a laminating line and the subsequent negative effect on margins. Activities in the Decorative Products Central Division continue to focus on optimization towards high-value products.

Development of earnings in the Decorative Products West Division

EBITDA in the Decorative Products West Division declined by 0.7 % from EUR 115.3 million in the previous year to EUR 114.4 million in 2018/19. Earnings development in the French plants was weakened by higher maintenance costs and rising raw material prices (wood). Our plants in Great Britain recorded an increase in earnings based on stronger demand. There were still no indications of negative effects from the upcoming Brexit during the past financial year. The continuous optimization of production costs and good utilization of the installed production capacity allowed for the optimal coverage of fixed costs.

Development of earnings in the Decorative Products East Division

EBITDA in the Decorative Products East Division amounted to EUR 158.1 million and was 6.0 % lower than the previous year. The main reasons for this decline were lower margins on chipboard and OSB sales from the plant in Radauti (RO) as the result of ongoing high wood prices and, in part, non-capitalizable development and start-up costs in Biskupiec (PL). Positive development was recorded by the plant in Gagarin (RU) due to the steady increase in production and the related improved coverage of fixed costs.

Development of earnings in the Flooring Products Division

EBITDA in the Flooring Products Division rose by 18.2 % from EUR 27.1 million to EUR 32.1 million in 2018/19. Both production locations – Wismar (DE) and Gagarin (RU) – contributed equally to this growth. In Wismar (DE), higher earnings were recorded from sales of flooring products as well as OSB products. In Gagarin (RU), the increase in flooring production also had a positive effect on earnings. The development of earnings in this division is still influenced by substantial excess production capacity and the resulting very high pressure on prices, and also by aggressive competition from LVT flooring.

Development of earnings in the Other Segment

Adjusted EBITDA[5] in our newly created Other Segment totaled EUR –29.0 million, which reflects a decline of 9.6 % below the prior year level of EUR –26.5 million. This segment comprises corporate functions and the sawmill in Brilon (DE) as well as independent areas and businesses/plants under development. The later include the locations in Concordia (AR) and Lexington, NC (USA), which were still in the integration or development phase as of April 30, 2019. These two locations were primarily responsible for the earnings decline in this division due to weaker operating results and/or in part non-capitalizable start-up costs.

2.1.3 Financial results

Financial results (incl. income from financial investments and associates) amounted to EUR –12.0 million in 2018/19 (2017/18: EUR –39.7 million). This improvement resulted, above all, from the replacement of the EGGER bond 2011-2018 with bank financing and promissory note loans at lower interest rates and the positive year-on-year development of exchange rates in most of the export markets. Interest expense remained at a low level despite an increase in net debt due to the continued low level of variable interest rates and active interest rate management. The hybrid bond issued at the end of the last financial year also supported a reduction in interest expense.

[5] Operating EBITDA, excl. revaluation from the application of IAS 29.

2.1.4 Taxes

Income tax expense amounted to EUR 1.9 million in 2018/19 (2017/18: EUR 4.4 million), and the effective tax rate equaled 1.2 % (2017/18: 2.6 %). Income tax expense in 2018/19 and in the previous year was influenced by exceptional effects related to the recognition of deferred tax assets following the write-off of investments. Detailed information on the calculation of income taxes is provided in the consolidated financial statements under note 16 (Income taxes).

2.2 Financial position

2.2.1 Financing and treasury

The primary goals of financial management/treasury in the EGGER Group are to **limit the financial risks** that may impair the Group's continued existence (liquidity and default risks) and earning power (foreign exchange, interest rate, market and price risks), while protecting the ability to meet payment obligations at all times and minimizing financing costs.

The limitation of risk does not mean complete exclusion, but rather the **economically reasonable management** of financial risks within a framework that is defined by the Group's comprehensive financial management guideline and supplementary operating rules.

In addition to the management of financial risks, another important goal is to protect and expand the circle of external financing sources and thereby safeguard the further development of the EGGER Group through organic growth and/or acquisitions.

The most important **treasury indicators** for the EGGER Group are the debt repayment period (net debt / EBITDA) and the equity ratio (equity/balance sheet total), which are monitored on a regular basis. EGGER has set the following targets for its **internal** strategic goals, which are also used to measure results at Group level: an equity ratio of at least 30 % and net debt / EBITDA of less than three years over the long-term.

The treasury indicators / financial covenants defined by **external** agreements are higher (net debt / EBITDA), respectively lower (equity ratio) than the internally defined ratios. These agreements call for a net debt / EBITDA ratio of less than 3.75 years and an equity ratio of at least 25 %.

Treasury Indicators		30.04.2019	30.04.2018	30.04.2017
Equity ratio	in %	36.8 %	40.8 %	37.5 %
Net debt / adjusted EBITDA*	years	2.24	1.75	2.00

* Operating EBITDA without appreciation IAS 29 and before the addition to, resp. increase in the provision for long-service bonuses in FY 2017/2018

The increase in the debt repayment period from 1.75 to 2.24 years as of April 30, 2019 resulted from the slight decline in adjusted EBITDA (–4.7 %) and an investment-based increase in net debt (+14.5 %). The reduction in the equity ratio from 40.8 % to 36.8 % reflected the investment-based increase in the balance sheet total and foreign exchange translation losses.

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2.2.2 Financing analysis

The primary strategic goals of EGGER's corporate financing are the protection of liquidity and the diversification of capital sources and financing instruments.

A key element of the financing strategy is the use of free cash flow for investments, which safeguards internally generated growth.

External financing in the EGGER Group follows a three-component model:

The **first component** is formed by **bank financing**. The main building blocks of this financing are syndicated bank loans and committed credit lines (for strategic liquidity protection), which are concluded with a selected circle of core banks.

A syndicated credit agreement with a volume of EUR 200 million was concluded in October 2018; this loan was repaid at the end of October 2018.

As of April 30, 2019, EUR 200 million of committed credit lines were available for discretionary use.

The **second component** comprises **capital market financing**. The EGGER Group has successfully used the bond market as a financing source for many years. The EGGER Group now has one corporate bond with a total volume of EUR 150 million and a hybrid bond with a volume of EUR 150 million on the market. Additional details are provided in the consolidated financial statements under notes 9 and 12.

Egger Holzwerkstoffe GmbH placed its third promissory note loan during March 2019 in several fixed and variable EUR-tranches (5, 7, 8 and 10 years) for a total volume of EUR 375 million. The variable tranches of the promissory note loan 2016 were repaid in part prematurely during April 2019 (for a total of EUR 76.5 million). As of April 30, 2019, the outstanding volume of the promissory note loans totaled EUR 638.5 million.

The **third component** of external financing consists of two **factoring programs**, under which receivables are sold on the basis of actual sales.

Maturity Profile Financial Liabilities and Bonds		30.04.2019	30.04.2018	30.04.2017
Remaining term over 5 years	EUR mill.	525.3	357.0	206.3
Remaining term 1 – 5 years	EUR mill.	636.6	540.0	489.9
Remaining term under 1 year	EUR mill.	235.7	93.4	242.1
Total	**EUR mill.**	**1,397.6**	**990.4**	**938.3**

Derivative financial instruments are used only to hedge risk positions in underlying transactions. Detailed information on derivatives and the EGGER bonds is provided in the notes.

2.2.3 Cash flow development

Cash Flow Statement		2018/2019	2017/2018	2016/2017	Dev. in % 2019–2018
Gross Cash Flow	EUR mill.	376.2	378.7	354.5	−0.7 %
Cash Flow from changes in net current asset	EUR mill.	−38.2	−89.6	−5.9	−57.4 %
Cash Flow from operating activities	EUR mill.	338.0	289.0	348.7	16.9 %
Cash Flow from investing activities	EUR mill.	−472.8	−439.3	−261.0	7.6 %
Cash Flow from financing activities	EUR mill.	368.8	158.9	−36.3	132.1 %
Net change in cash and cash equivalents	**EUR mill.**	**234.0**	**8.7**	**51.3**	**2,598.5 %**

Based on gross cash flow and after the inclusion of changes in net working capital, cash flow from operating activities totaled EUR 338.0 million in 2018/19 (2017/18: EUR 289.0 million). The improvement resulted primarily from a smaller year-on-year increase in working capital.

Cash flow from investing activities (incl. acquisitions) amounted to EUR 472.8 million in 2018/19 and exceeded the previous year's high level of EUR 439.3 million. This increase is attributable to the conclusion of the new plant construction in Biskupiec (PL) and the ongoing construction of the new plant in Lexington, NC (US). Extensive investments were also made at existing locations, above all in Germany.

Cash flow from financing activities was substantially higher than the previous year at EUR 368.8 million in 2018/19 (2017/18: EUR 158.9 million). The EGGER bond 2011–2018 was repaid and refinanced through bank loans during the reporting year. The high level of liquidity as of April 30, 2019 will be used, among others, for the redemption of the EGGER bond 2012–2019 which is due in October 2019 and for further investments.

Free Cash Flow Statement		2018/2019	2017/2018	2016/2017	Dev. in % 2019–2018
Cash Flow from operating activities	EUR mill.	338.0	289.0	348.7	16.9 %
Cash Flow from investing activities	EUR mill.	−472.8	−439.3	−261.0	7.6 %
+ Growth Investment	EUR mill.	411.0	413.3	194.9	−0.6 %
Free Cash Flow	**EUR mill.**	**276.2**	**263.1**	**282.5**	**5.0 %**

Free cash flow (cash flow from operating activities less cash flow from investing activities plus growth investments) totaled EUR 276.2 million in 2018/19 and was EUR 13.1 million, or 5.0 %, higher than the previous year (2017/18: EUR 263.1 million).

2.2.4 Investments

Investments in intangible assets, property, plant and equipment and acquisitions amounted to EUR 489.1 million in 2018/19 (2017/18: EUR 483.8 million). This total includes EUR 78.1 million (2017/18: EUR 70.5 million) of replacement investments.

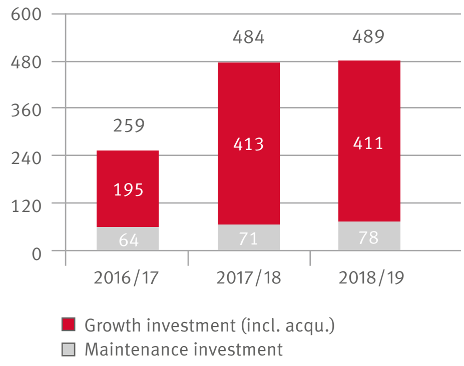
The difference between cash flow from investing activities and the additions to non-current investments resulted from non-current asset additions which will become cash-effective at a later date and differences between various exchange rates on the balance sheet date and the average exchange rate.

A total of EUR 411.0 million was spent on growth investments during the reporting year (2017/18: EUR 413.3 million).

Most of this amount is attributable to the new location in Biskupiec (PL) and the new plant construction in Lexington, NC (US).

Extensive investments were also made at existing locations. Major projects involved the plants in Brilon (DE) and St. Johann (AT), where investments focused on processing and logistics, and on the expansion of the plant in Wismar (DE) to include a new flooring aggregate.

Investments (EUR mill.)



Geographic distribution of investments

Investment (incl. acquisitions)		2018/2019	2017/2018	2016/2017
Western Europe	EUR mill.	145.0	161.7	181.0
Central and Eastern Europe incl. Russia	EUR mill.	233.4	175.4	78.2
North- and South-America	EUR mill.	110.6	146.8	0.0
Total Investments	**EUR mill.**	**489.1**	**483.8**	**259.2**

2.2.5 Cost of capital

The cost of capital (WACC = weighted average cost of capital) used in EGGER value management represents the return expected on equity and debt financing. It is calculated as a weighted average of the cost of equity and debt for the Group. The after-tax WACC equaled 8.25 % in 2018/19 (2017/18: 8.85 %). Local WACC rates are calculated for individual countries in local currency and adjusted by the difference in inflation and country risk.

2.2.6 EGGER value management

The financial aspect of EGGER value management is based on a simple and transparent, but strong analytical method that is focused on the sustainable increase in cash flow (EBITDA) in relation to historical capital employed, i.e. CFROI (cash flow return on investment; the return on capital employed in relation to acquisition costs). CFROI, which is one of the most important performance indicators for capital-intensive companies, measures the profitability of capital employed. As a sustainable strategic target, EGGER has defined a minimum return of 10 % (hurdle rate) for all areas of the company.

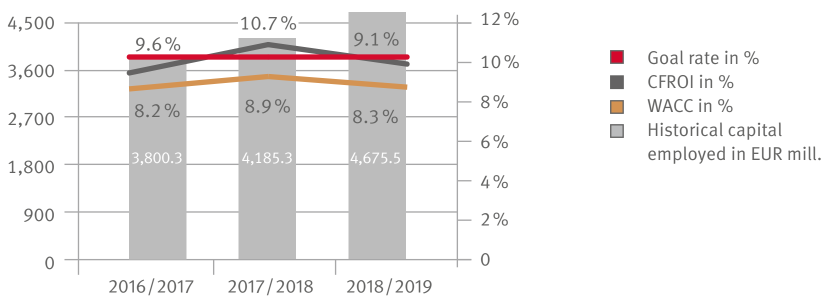
$$\text{CFROI} = \frac{\text{EBITDA}}{\text{Hist. capital employed}}$$

Goal: CFROI ≥ 10 %

Value management		30.04.2019	30.04.2018	30.04.2017	Dev. in % 2019–2018
Adjusted EBITDA*	EUR mill.	425.0	445.8	363.7	−4.7 %
Historical capital employed	EUR mill.	4,675.5	4,185.3	3,800.3	11.7 %
CFROI	**in %**	**9.1 %**	**10.7 %**	**9.6 %**	

* Operating EBITDA without appreciation IAS 29 and before the addition to, resp. increase in the provision for long-service bonuses in FY 17/18.

Value management:



Our Group CFROI equaled 9.1 % in 2018/19 and was lower than both the previous year (2017/18: 10.7 %) and our target of 10.0 %. Adjusted EBITDA declined by 4.7 % year-on-year, while historical capital employed rose by 11.7 % to EUR 4,675.5 million during the same period due to substantial investments in the new locations at Biskupiec (PL) and Lexington, NC (US). These investments were not yet contrasted by positive earnings in 2018/19.

Since the calculation of CFROI also includes most of the investment costs for these two locations but not the projected future EBITDA, an improvement towards the 10 % target rate is expected over the medium-term.

2.3 Asset position

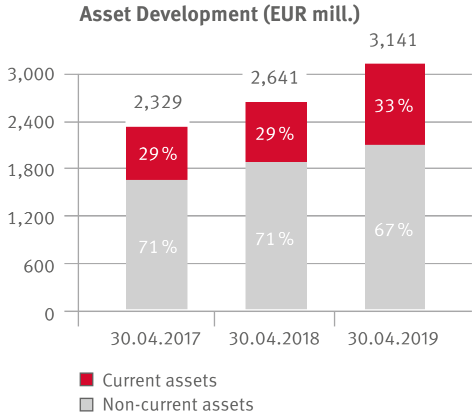
2.3.1 Analysis of the balance sheet structure

The balance sheet total rose from EUR 2,640.7 million in the previous year to EUR 3,141.3 million (+19.0 %). This growth was based, above all, on an increase in non-current assets (+EUR 224.8 million), inventories (+EUR 34.6 million) and cash and cash equivalents (+EUR 232.5 million).

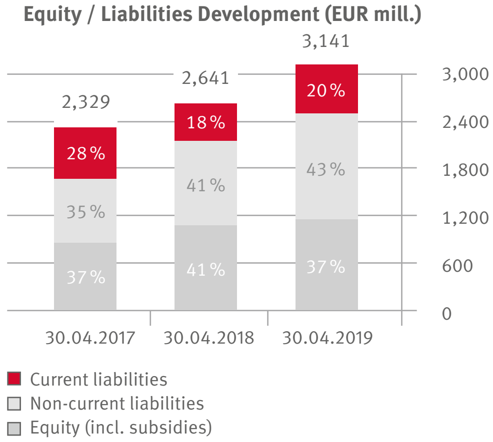
Balance Sheet Development		30.04.2019	30.04.2018	30.04.2017	Dev. in % 2019–2018
Non-current assets	EUR mill.	2,092.9	1,868.1	1,647.1	12.0 %
Inventories	EUR mill.	419.8	385.2	335.3	9.0 %
Receivables	EUR mill.	95.9	93.7	68.0	2.4 %
Cash and cash equivalents	EUR mill.	444.5	212.0	210.6	109.7 %
Other current assets	EUR mill.	88.1	81.7	68.4	7.9 %
Balance sheet total	**EUR mill.**	**3,141.3**	**2,640.7**	**2,329.4**	**19.0 %**
Equity (including subsidies)	EUR mill.	1,157.0	1,078.5	873.4	7.3 %
Provisions	EUR mill.	181.4	160.2	115.1	13.3 %
Non-current financial liabilities / bonds	EUR mill.	1,161.9	897.0	696.2	29.5 %
Current financial liabilities / bonds	EUR mill.	235.7	93.4	242.1	152.4 %
Other liabilities	EUR mill.	405.4	409.9	402.6	−1.1 %

The amounts reported as of April 30, 2018, were adjusted to reflect the application of IAS 29.

Asset Development (EUR mill.)



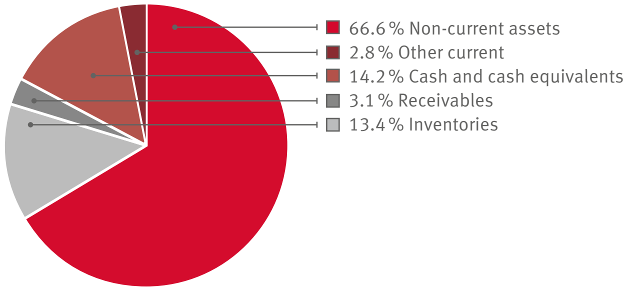
Equity / Liabilities Development (EUR mill.)



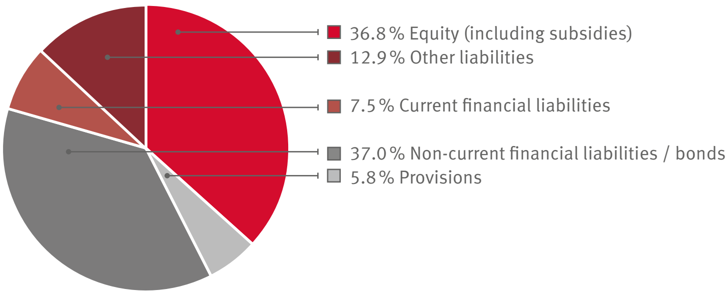
Non-current assets increased 12.0 % over the level on April 30, 2018 and comprised 66.6 % of the balance sheet total at the end of the reporting year (2017/18: 70.7 %). This reflects the high capital intensity of the Group’s production processes.

The following graphs show the balance sheet structure as of April 30, 2019:

Structure Assets (30.04.2019)



Stucture Equity / Liabilities (30.04.2019)



2.3.2 Working capital

Working capital (inventories plus trade receivables less trade payables) rose from EUR 238.5 million at the end of the previous financial year to EUR 262.4 million April 30, 2019.

Working Capital		30.04.2019	30.04.2018	30.04.2017	Dev. in % 2019–2018
Inventories	EUR mill.	419.8	385.2	335.3	9.0 %
+ Receivables	EUR mill.	95.9	93.7	68.0	2.4 %
– Trade payables	EUR mill.	253.3	240.4	235.2	5.4 %
Working Capital	**EUR mill.**	**262.4**	**238.5**	**168.0**	**10.0 %**
Revenues	EUR mill.	2,841.5	2,690.1	2,384.8	5.6 %
Working Capital in % of revenues	in %	9.2 %	8.9 %	7.0 %	

Inventories equaled EUR 419.8 million as of April 30, 2019 and were 9.0 % higher than the comparable prior year value (EUR 385.2 million).

Trade receivables rose from EUR 93.7 million as of April 30, 2018 to EUR 95.9 million as of April 30, 2019. The average receivables turnover equaled roughly 38 days (2017/18: 38 days).

Trade payables increased from EUR 240.4 million to EUR 253.3 million, or by 5.4 %, due to outstanding balances for raw material purchases and investments.

2.3.3 Liquidity / net debt

Interest-bearing liabilities (financial liabilities and bonds) rose to EUR 1,397.6 million as of April 30, 2019 (2017/18: EUR 990.4 million) and include a long-term financing component of 83.1% (2017/18: 90.6%). All of the financing was concluded in Euros.

Net debt increased by 22.4% to EUR 953.0 million as of April 30, 2019 (2017/18: EUR 778.3 million) due to the investment activity.

Net Debt		30.04.2019	30.04.2018	30.04.2017	Dev. in % 2019–2018
Financial liabilities and bonds	EUR mill.	1,397.6	990.4	938.3	41.1%
Less liquid funds and securities	EUR mill.	444.5	212.0	210.6	109.7%
Net Debt	**EUR mill.**	**953.0**	**778.3**	**727.7**	**22.4%**

2.3.4 Equity

Equity increased from EUR 1,066.4 million in the previous year to EUR 1,146.7 million as of April 30, 2019. This development was based on profit after tax of EUR 154.7 million for the 2018/19 financial year, after the deduction of negative currency translation effects (from the Russian Ruble and Argentinian Peso) and distributions. The equity ratio, including government grants, equaled 36.8% (40.8% as of April 30, 2018).

2.3.5 Provisions and other liabilities

Provisions rose by EUR 21.3 million over the level on April 30, 2018 to EUR 181.4 million as of April 30, 2019. The increase resulted primarily from a change in the interest rate applied to the valuation of the long-service bonus commitment introduced in the previous year as well as the use of new mortality tables for AT and DE in the related calculations. As a percentage of the balance sheet total, provisions equaled 5.8% (April 30, 2018: 5.1%).

Other liabilities declined slightly by 1.1% from EUR 409.9 million as of April 30, 2018 to EUR 405.4 million as of April 30, 2019.


EGGER

3 Corporate Responsibility (CR)

Sustainability, fairness and transparency are key factors for our success. As one of the leading wood processing companies in Europe, we strive to act responsibly and, in this way, document our position as an employer, market participant, member of society and supporter of the environment.

"Our values determine our daily actions."

In 2017/18 we published our first sustainability report, which provides detailed information on all major sustainability issues and the measures we have implemented in these areas. The feedback from our stakeholders was very positive. We are continuing our commitment to transparency this year with the **EGGER Sustainability Report 2018/19** which is available here for Download.

Sustainable development and sustainable growth are important elements of our mission and our corporate strategy. **Compliance** – meaning conformity with legal requirements and internal guidelines – is of central importance for our business activities and our relations with all our partners. We also take our **entrepreneurial responsibility** seriously and make a voluntary contribution to sustainable development in the following areas.

EGGER

MARKET PLACE

ENVIRONMENT

EMPLOYEES

SOCIETY / COMMUNITY

3.1 Marketplace

At EGGER, we are well aware that today's entrepreneurial actions will influence the **quality of our environment** in the future. We therefore accept responsibility for the impact of our products, our production and our relations with our suppliers and customers. We operate with modern equipment based on state-of-the-art technology. From the living tree to the finished product, we rely on **integrated locations** that fully utilize the key raw material wood in a closed cycle. Sustainability represents an important aspect in the development and improvement of products, services and production equipment and plays a major role in the success of the company.

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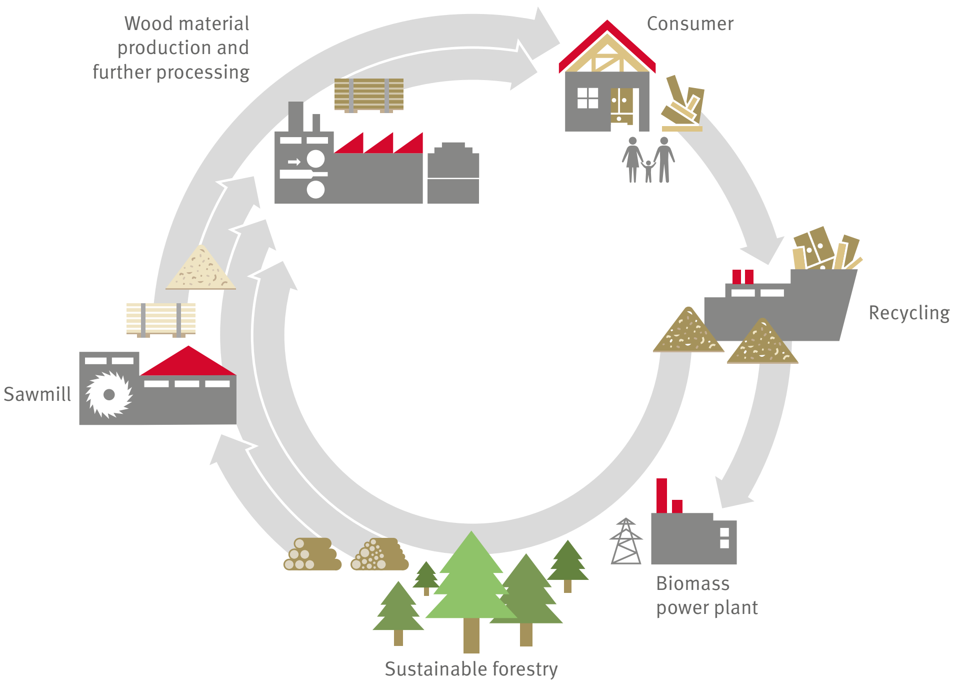
3.1.1 EGGER's environmental cycle

Our integrated locations initially use wood as a raw material. The various uses range from the production of sawn wood in the sawmill to the manufacture of wood materials. Residual wood and recycling wood that cannot be used in production are utilized thermally in the company's own biomass power plants and converted into energy for the production process. Fresh wood supplies come from sustainable forestry operations. Accordingly, the EGGER plants are certified according to PEFC and/or FSC® standards. The CO_2 resulting from all production steps is absorbed by the forest and converted into oxygen – which completes the cycle.

"The EGGER plants are certified according to PEFC and/or FSC standards."

A detailed description of our value chain is provided in the **Sustainability Report** on pages 16/17.



3.1.2 Product responsibility

Wood materials make an important contribution to reducing greenhouse gas emissions in the earth's atmosphere. The natural CO_2 storage medium wood plays a particularly important role in EGGER products and helps to achieve a positive **eco-balance**.

Information on the eco-balance and environmental compatibility is provided in our **environmental product declarations (EPDs)**, which are prepared in accordance with the international ISO Standard 14025 and EN 15804. These EPDs are verified independently by IBU ("Institut für Bauen und Umwelt") and used to certify the sustainability of buildings. EPDs are available for all major EGGER product groups.

Ensuring the **quality of our products and processes** is one of our most important objectives. Our Group-wide quality management is certified under ISO 9001, a standing that guarantees customer satisfaction and a long-service life for our products. Quality management is monitored with internal and external audits based on an audit matrix.

3.1.3 Relations with customers and suppliers

We want to develop and maintain **long-term, dependable and honest** working relationships with our customers and suppliers. These long-term relationships form the basis for success. We define **standards for suppliers** so they can meet our demands for sustainable operations.

We comply with all applicable legal regulations and have issued a **code of conduct** for our employees as well as a code of conduct for our suppliers, an anti-trust guideline and an anti-corruption guideline.

Our products and services are based on the current and future **needs of our customers**. In order to ensure optimal customer relationship management, we define responsibilities for our sales force with clear rules and authorities.

We differentiate our sales volumes according to three strategic **sales channels**: Industry, Retail and DIY.

We supply companies in the furniture industry with exactly the right materials and services to meet their individual needs. Our innovative materials and surfaces make us a trendsetter and source of ideas.

For professional planners, architects and craftsmen, we have a specially coordinated product line. All of our products are available in small volumes ex-warehouse through a broad network of specialized retailers.

Do-it-yourselfers who value quality can rely on our DIY offering, which is sold in well-known national and international building materials markets. This product line consists chiefly of laminated, Comfort and Design flooring.

3.2 Environment

We take our responsibility for society and the environment seriously. Environmental protection has a high standing in the EGGER Group and is firmly anchored in our corporate philosophy. EGGER has defined uniform Group standards for the **reduction of emissions** in the air, water and soil which are based on local regulations and technical benchmarks.

"The sustainable use of raw materials has top priority."

The **sustainable use of raw materials** has top priority. We meet this goal with processing technologies that conserve resources, with the generation of energy in company-owned biomass power plants and with eco-friendly logistics systems which, for example, use rail traffic for transport. All EGGER plants are equipped with state-of-the-art wastewater, noise protection and air purification systems.

The goals of **environmental management at EGGER** are to ensure compliance with legal regulations, to avoid or minimize the negative effects of business operations on the environment and to continuously improve our efforts in support of the environment. Accordingly, environmental management systems form the basis for the methodical and steady pursuit of environmental goals to ensure the responsible use of resources and energy. The current progress on the certification of our plants under **ISO 14001**, **ISO 50001** and **EMAS** is explained in the Sustainability Report on page 36. These management systems are audited regularly based on a certification matrix.

One of our major strategic challenges is to safeguard wood supplies for our plants. This goal must be met against the backdrop of intense competition for wood that not only drives the price, but also affects the availability. We therefore rely increasingly on the use of **recycling wood**. Residual wood and pre-processing dust that cannot be used in production are utilized thermally in the Group's own biomass power plants.

All larger locations in the Group operate with **biomass power plants** or **biomass heating plants**. Biomass power plants generate electrical energy and heat through the firing of biomass. In contrast, biomass heating plants produce heat that is used to warm up the oil for our presses; in St. Johann these plants also generate long-distance heat and hot gas for the drying process. These processes help to save natural gas as a fossil energy carrier. Details on our energy infrastructure and many other aspects of responsible production can be found in our Sustainability Report beginning on page 76.

All documents relating to the environment and sustainability at EGGER are available for review in the Internet under www.egger.com/environment.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3.3 Employees

Our goal is to be the **best employer** in each of our relevant labor markets. In order to reach this goal, we place high value on modern human resources management that supports our corporate culture.

3.3.1 Workforce

The Egger Group employed an average workforce of 9,481 in 2018/19 (2017/18 8,765), which is classified by country as follows:

Number of own personnel	2018/2019 (Status 30.04.19)	2018/2019 yearly average	2017/2018 yearly average	2016/2017 yearly average	2015/2016 yearly average
Austria	1,591	1,585	1,555	1,520	1,475
Germany	2,673	2,625	2,593	2,514	2,480
France	880	875	858	825	787
Great Britain	794	779	766	738	719
Russia	1,149	1,140	1,093	1,039	875
Romania	883	876	865	831	781
Turkey	756	760	749	678	668
Argentina	501	493	232		
Poland	356	311	55		
USA	60	38			
EGGER Total	**9,643**	**9,481**	**8,765**	**8,145**	**7,785**

The increase in the number of employees is the result of investments in existing plants and the development of the plants in Biskupiec (PL) and Lexington, NC (US) as well as the integration of the Concordia plant.

3.3.2 Employer Branding und Recruiting

We continued our employer branding and recruiting activities in 2018/19 and further developed our strengths. Activities focused, in particular, on employer branding for the integration of the USA, Argentina and Poland.

During the past year we successfully expanded our social media presence in Facebook, LinkedIn and Instagram for the DACH region and Great Britain and started the market rollout in Poland, Argentina and Russia.

Our country-based career websites registered a total of 276,000 visitors with roughly 360,000 page views in 2018/19. Our international job portal was searched 210,000-times by 165,000 visitors.

The relaunch of EGGERnet, our Intranet platform, has created a modern, central information platform for our internal employer branding. It also serves as the step-off platform for all our systems, applications and information.

Our efforts in the areas of recruiting included the first steps towards direct contact with candidates in social networks. We also increased our focus on suitability diagnostics by expanding the use of the CAPTain online procedure.

3.3.3 Training

Our goal is to develop specialists and managers from our own ranks, and we therefore train apprentices for **22 different professions**. The development of our young employees is supported by regular feedback from trainers as well as supplementary measures required for personal development, e.g. communications, team building or language courses. Most of our plants also have training workshops where the apprentices can practice basic skills and prepare for examinations. Numerous **personnel marketing measures**, which include visits to various educational and career fairs, open house days, school visits, parents' evenings etc., have positioned us as an attractive apprenticeship trainer, not only in Austria and Germany. There is no comparable public training system in countries like Romania, France or Great Britain, and we are therefore challenged to create the structures and conditions necessary to make apprenticeship attractive in these countries. We successfully established a training program in the USA during the past year and started on-site training in August 2018. Further projects are planned for the future and include a **training program in Argentina** beginning in 2019.

As of April 30, 2019, a total of **250 apprentices** attended training programs in the EGGER Group (2017/18: 221).

3.3.4 Personnel development

At EGGER, we view the further development of our employees as a central management responsibility and have anchored this goal in our management principles. The **EGGER CAMPUS** was established in May 2016 to bundle all **training and educational activities** at a single location. It is designed to improve the focus of employee development work and strengthen coordination throughout the Group.

EGGER KOMPAKT, an internal training program, was created by employees for employees and covers nine modules along our company's value chain. It is designed to promote the exchange of know-how and experience between specialist areas and to strengthen employees' customer orientation. With roughly 100 internal trainers and a structured training concept, EGGER KOMPAKT was successfully launched in all countries starting in May 2016.

"Start Up EGGER", which we introduced in 2017, is a program designed to prepare young professionals for a successful career with EGGER. The second round began in November 2018 with 19 participants from five countries and various specialist areas. These individual development programs are based on interdisciplinary, cross-border learning, with the objective of developing well prepared and internationally networked employees.

We place high value on filling many positions internally. In this connection, the seventh class of the "Startklar" program for potential future managers started at the end of November 2018 with 18 participants.

Based on our EGGER management principles, we have also implemented a well-defined training program for newly appointed and experienced managers as well as a management feedback process in all countries.

3.3.5 Health management

Our employees' health is a top priority, and our offering is intended to strengthen the awareness that health has a value and its protection is important. We make suggestions to promote and maintain health. Joint sport activities not only have a positive influence on health and well-being, but also encourage teamwork throughout the company. Our health management offers an extensive **program to promote healthy nutrition and exercise as well as advising services** at the various EGGER locations. These efforts were recognized in Austria with the **Quality Seal for Corporate Health Programs** and at our plant in Hexham (UK) with the **"Better Health at Work" Continuing Excellence Award**.

3.4 Society

In agreement with our **fundamental values**, we respect the customs and traditions of the countries in which we operate. EGGER works to establish a position **as an integral part of the local environment** and supports the use of qualified employees and managers from the regions near the Group's plants.

Our plants also have a positive long-term influence on economic development at their locations through the use of local suppliers and local infrastructure like hotels and restaurants.

"We are committed to social responsibility at the local level"

We are committed to **social responsibility** at the local level and, in this connection, provide support for various social, educational and environmental protection activities. This responsibility is realized through various measures at the EGGER locations in line with local circumstances.

The "**Run with Egger**" program has created a bridge between health management for our employees and social commitment in the regions surrounding our plants since 2010. For each kilometer completed, we donate EUR 5 to a non-profit organization. The main objectives of this project are to enjoy sports with the awareness of helping others. EGGER employees collected EUR 151,825 for social programs in 2018 by "running up" a total of 30,356 km – which represents the distance of over 700 marathons.

Other examples of our social commitment include projects for the renovation or improvement of public facilities, like the lake areas in Biskupiec (PL), and our involvement in local events like the Multicultural Festival in Lexington, NC (US), the "Subbotnik" program for voluntary spring cleaning in the cities at our Russian locations or Industry Day in Unterradlberg (AT).

The **EGGER Foundation**, which we established in Romania, supports projects to improve health, education, medical care, cultural conditions and environmental protection in the region surrounding our plant in Radauti. Projects in 2018/19 included the renovation of the track in the public stadium, first aid courses and reading programs in several regional primary and secondary schools as well as sponsoring for laboratory equipment at five colleges. We have also joined Romania's Via Transilvanica project for the creation and maintenance of a cross-country hiking trail, where we sponsor 100 km in the Suceava region and help to support its sustainable development.

Open house events as well as family and health days were held at many of our locations in 2018/19. These dates give our employees' families and the general public an opportunity to look behind the scenes and become more familiar with EGGER and, in this way, develop a personal relationship with the company and colleagues.

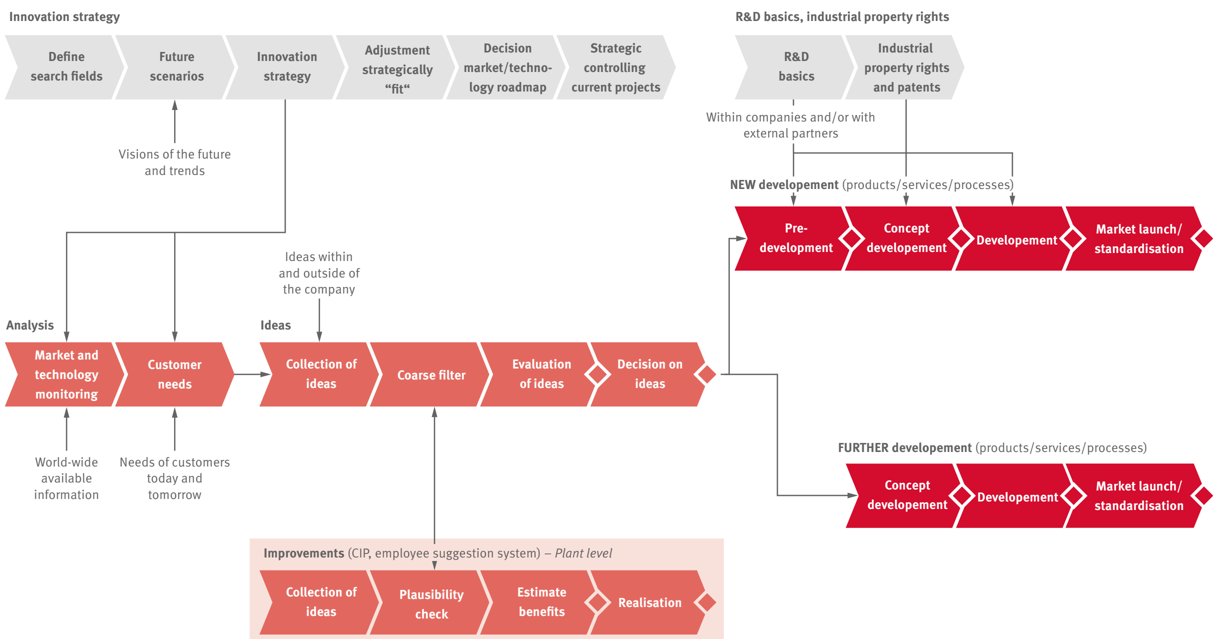
We also support selected projects with cash and/or non-cash donations. These projects must meet sustainability criteria as well as one of the purposes listed in our donation guideline. We donated a total of TEUR 1,287.0 in 2018/19 (2017/18: TEUR 572.8). Details on our contribution to local communities and to regional value added are provided in our Sustainability Report beginning on page 146.

4 Innovation, Research and Development

4.1 Innovation management as a key element of the corporate strategy

“The development and continuous improvement of our products, processes and services are based primarily on the creation of added value for customers and represent the foundation for our long-term earning power.” This element of the EGGER mission statement underscores the importance of innovation for the realization of the corporate vision and emphasizes the significance of the innovation process for the EGGER strategy.

The development and documentation of ideas as well as the organization of innovation projects up to market introduction follow a clearly defined, structured **innovation process** which is firmly anchored throughout the EGGER Group. The actual implementation involves close cooperation between the various product management units and the **competence center**. The central competence center focuses on product and process development, productivity improvement and the optimization of production equipment with respect to costs, energy and raw material consumption. **Product management**, which is also centralized, defines the most important product requirements during the innovation process and assists the sales force in market introduction. This department accompanies products during the development stage and



Innovation Management System – IMS EGGER up to the determination of a recommended selling price, training for the sales force and the design of the marketing package together with local teams and is also responsible for discontinuing the item at the end of the product life cycle.

We use an **innovation management system** which covers all committees involved in the innovation process, i.e. the product management departments responsible for furniture and interior design, construction products and flooring and the competence center organization.

A total of 64 R&D and innovation projects were in progress during the 2018/19 financial year, whereby 31 were completed and 28 were started.

The competence center organization (CC) is structured into the following two groups with specialized focal points:

- Technical Group Standards
  - CC Decorative Surfaces
  - CC Wood Materials
  - CC Production Technology
  - CC Flooring
  - CC Maintenance

- Technical Framework Conditions
  - CC Chemicals
  - CC Research and Development
  - CC Products
  - CC Environmental and Technical Law

Technical Group Standards concentrates on the implementation of technical standards throughout the EGGER Group. The competence center for Technical Framework Conditions is responsible for the measures required by legal regulations and the strategic development of the EGGER Group. The Competence Centers for Flooring and Maintenance were established in 2018/19 to meet the steadily growing requirements and necessary specialization.

4.2 Product, process and service innovations

The innovation process at EGGER is concentrated, above all, on **defined fields** for products, processes and services.

Products:
- Decors and structures – look and feel
- Technical properties and processing (weight reduction, installation and assemble, downtime…)
- Functional materials and surfaces (acoustics, reaction to fire, anti-fingerprint)

Processes:
- Environment and emissions
- Raw materials and resource efficiency
- Technology and products
- Smart factory

Services:
- Digitalization (data management, simulation, visualization)
- Planning tools, interactive offering

Defined hierarchies are responsible for all steps from the generation of ideas to evaluation, decision and final release. The Managing Board is supplied with regular information on the status of R&D and innovation projects, whereby the necessary approval process takes place three times each year.

A total of EUR 6.9 million was spent on R&D and innovation in 2018/19 (2017/18: EUR 6.9 million). Our employees spent roughly 38,000 hours (2017/18: approx. 33,000 hours) on research and development activities.

Five priority **patent registrations** were filed during the reporting year. The EGGER Group currently holds approximately 2,550 patents (granted and registered) and roughly 1,300 trademarks worldwide. The administration and management of the various industrial property rights are handled centrally by the patent and brand department.

Cooperation with external research partners also represents an important part of R&D efforts. These activities are focused on raw materials processing, the optimization of laminating systems, new bonding agent technologies and improved production processes. A number of these development projects are co-financed with public funds. Regular workshops on special topics promote the exchange of information with selected suppliers and customers. These meetings are used to present and evaluate product and technology trends for their possible influence on EGGER's products, production processes and services.

4.3 Focal points of research and development

R&D concentrated primarily on the following areas in 2018/19.

Research focal point: "Environment and Emissions"

Research in the area of environment and emissions examines opportunities for improving the environmental compatibility of products and production processes, above all with regard to emission behavior and emission loads. Product research covers the finished product as well as the entire lifecycle, including recycling. Projects involving production processes include all environmental and emission-relevant process steps, e.g. drying, presses, power plants, impregnating and laminating.

Research focal point:
"Raw Materials and Resource Efficiency"
Research on raw materials and resource efficiency concentrates on the optimal selection and utilization of input materials and operating supplies. In addition to the raw material wood and other renewable raw materials that can potentially be used in the production of wood products, projects in this area also investigate new types of adhesives and laminating materials. The focal points for the optimization of operating supplies include developing the best resource-conserving options for the operation of production equipment and maximizing the efficiency of energy generation equipment.

Research focal point:
"Technology and Products"
Research projects on technology and products concentrate on the development of new types of wood material products and related processing alternatives as well as new types of production processes which lead to more economical production or products with new properties. Examples include special hybrid boards and low-weight wood material boards as well as production technologies that use new methods like digital printing, laser welding, electronic image processing or plasma treatment.

Research focal point:
"Smart Factory"
This research focal point covers all projects which involve the use of digital systems to improve planning, management and the presentation of internal processes or which increase or improve the digital exchange of data with suppliers and customers.

5 Risk Management

5.1 The EGGER risk management system

Entrepreneurial activities are always connected with opportunities and risks. The major objectives of the risk management system are to protect the company's continued existence and the attainment of our defined goals. Our risk management system therefore represents an integral part of our corporate strategy and value management.

The central elements of the risk management system are systematic risk controlling and the internal control system (ICS) with Group-wide guidelines and standards, external auditing by certified public accountants, our regular internal audits and standardized reporting, planning and controlling processes as the main components.

5.2 Financial risks and general operating risks

Information on the corporate risk policy and a detailed description of specific risks – e.g. financial, market, procurement, production and investment risks – that are monitored within the context of risk controlling at EGGER are provided in the risk report in the notes.

5.3 Internal control system (ICS)

EGGER views the internal control system as an integral part of the risk management system. It supports the profitability of business processes, ensures the reliability of financial reporting and guarantees compliance with applicable legal regulations in order to prevent or reduce damage to the Group.

Key features of the internal control system with respect to accounting processes:

5.3.1 Group-wide uniform and mandatory guidelines

The internal control system (ICS) is based on Group guidelines and process standards. In accordance with the decentralized structure of the EGGER Group, local management is responsible for the implementation of and compliance with these guidelines and standards. The Group guidelines are reviewed regularly by a process manager and updated whenever necessary, while compliance is verified through internal audits by the process manager.

Relations and dealings between the EGGER procurement organizations and their suppliers and service providers are based on the Group’s code of conduct, which is applicable to all employees. The code of conduct is available for review on our website under: **www.egger.com/compliance**.

5.3.2 External examination by the auditor

The annual financial statements of all Group companies that are subject to mandatory audits and the consolidated financial statements are audited by independent accounting firms. These firms guarantee the application of uniform auditing standards through their international network and ensure the complete and efficient examination of the annual financial statements.

5.3.3 ICS focal point audits

In connection with the audit of the Group’s financial statements, a different corporate function is evaluated each year by the auditor for compliance with the ICS. O2C (Order to Cash) represented the focal point for 2018/19. The following internal control areas were analyzed in recent years:

- Taxes
- Fixed asset management and the investment process
- Inventory and warehouse management / physical inventory count
- Accounts receivable management, customer credit management
- Procurement, IT general controls
- Treasury, selected IT processes
- Human resources / payroll accounting
- Sales organization
- Transfer pricing and the related documentation
- Controlling
- Procurement
- Human resources
- O2C (Order to Cash)

5.3.4 EGGER internal audit

Another element of the internal control system is formed by regular internal audits, where Group experts from the staff departments analyze processes along the value chain together with the local specialist departments. This procedure supports the optimization of processes and ensures compliance with Group standards and guidelines as well as the correct performance of duties and the economic feasibility of processes.

5.3.5 Monitoring, reporting, planning and controlling processes

EGGER uses a standardized Enterprise Resource Planning (ERP) system (SAP) throughout the Group, which facilitates the application of uniform standards and processes for accounting. This system also permits efficient reviews by the Group's central IT department and external process reviews, for example by the auditor.

A standardized closing cockpit was implemented throughout the Group during the past financial year. It supports the monthly and annual closing processes and automatically documents all process steps, which also facilitates the central monitoring of progress on the closing.

Further monitoring activities include automated IT process controls, authorization and role concepts as well as organizational procedures such as dual controls and the separation of administrative, execution, settlement and approval functions.

The central elements of the internal control system include Group-wide standardized monthly reporting and integrated planning and controlling processes. The development of the company and the risk environment are documented and analyzed at the plant, division and Group levels at regular intervals. Variances between actual and expected situations are examined, and the results are integrated in operational and strategic decision-making processes. The full harmonization of internal and external accounting allows for the monthly reconciliation of reporting and creates a common database for a wide range of internal decisions at all levels.

The preparation of the consolidated financial statements is based on a corporate accounting guideline that is updated regularly and requires mandatory application by all companies included in the consolidation. This guideline defines the most important accounting and valuation methods based on IFRS.

In addition to ongoing monitoring by independent auditors, the consolidated financial statements as of April 30, 2018 were reviewed last year in accordance with rules defined by the Austrian Auditing Agency for Accounting ("Österreichische Prüfstelle für Rechnungslegung"). This process was concluded without the identification of any errors.

Operational planning is based on quarterly rolling forecasts, which allow for the active and timely implementation of measures to the counter the increasing volatility on sales and procurement markets. This rolling planning process is based on sales volumes that are continually updated and adjusted to reflect available capacity and also includes the latest developments in selling and procurement prices. It allows us to forecast earnings for five quarters in advance and thereby react quickly to changes in the market environment.

The results of operational planning flow into monthly cash flow forecasts which are differentiated by currency and integrated and automated in the planning system. This data is also transferred to the five-year, medium-term forecast generated by this system.

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6 Subsequent Events, Opportunities and Outlook

6.1 Major risks, opportunities and uncertainties

No risks have been identified at the present time that could endanger the continued existence of the EGGER Group. EGGER identifies, assesses and manages risks continuously within the context of its risk management system in accordance with predefined principles.

6.2 Significant events after the balance sheet date

Alfred Wurmbrand was appointed to the Supervisory Board of Egger Holzwerkstoffe GmbH as of May 1, 2019.

Our new plant in Biskupiec (PL) started production at the end of June following the receipt of the operating permit.

The Romanian authorities launched investigations during 2016 into possible anticompetitive behavior in connection with wood purchases by the Romanian wood industry. In July 2019 EGGER was invited to meet with the Romanian authorities to discuss the current status of these investigations. EGGER plans to continue the discussions with the Romanian authorities.

No other significant events occurred after the balance sheet date on April 30, 2019.

6.3 Expected development / outlook

Forecasts by the International Monetary Fund point to a decline of 0.3 percentage points in global GDP growth from the 3.6 % recorded in 2018 to 3.3 % in 2019. However, a return to the 2018 level is expected beginning in 2020. This slowdown will be particularly noticeable in the industrial countries, above all in Europe, but a slight decline is also expected in the developing and emerging countries. Global GDP growth should regain momentum beginning in 2020, supported by recovery in Turkey and positive trends in Europe and Latin America. In contrast, weaker development is expected in the USA and China.

Sales forecasts by product category

The growth in sales of **laminated chipboard** is expected to decline to roughly 1 % in 2019 and 2020, above all due to weaker demand in Turkey, but also in Great Britain, Germany and France. Slower growth is also forecasted for Eastern Europe, especially Poland and the Baltic States. Contrasting trends are predicted for Russia, with a further increase in demand, as well as Spain, Ukraine and most of Southeast Europe, which should experience stable development.

Sales of **laminate flooring** will continue to decline in 2019, in part due to a sharp drop in

Turkey and Great Britain, but also due to negative developments in Germany, France and the Benelux countries. A reduction and reversal of this trend can, however, be expected beginning in 2020. It will be supported by growing demand from Russia, the stabilization of demand in Germany and an improvement in sales opportunities in Turkey, Great Britain and Romania. Forecasts for 2021 show a slight increase of 1% in demand.

The demand for **OSB products** remains positive, above all due to stable growth in the two largest markets – Russia and Germany. This development is expected to slow to a certain extent owing to reduced sales opportunities in France, Great Britain and Romania, but positive development with an increase of 5 % to 6 % is still projected for 2019 and 2020.

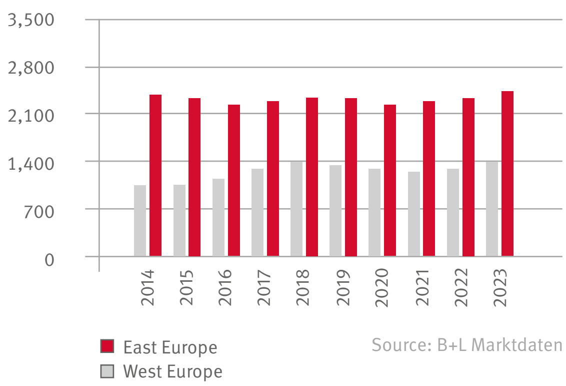
(Source: B+L Marktdaten)

Development of the construction industry

The number of residential building permits issued in Europe is projected to decline over the coming years. This development will be caused, on the one hand, by the sharp downturn in Turkey and, on the other hand, by weakening trends, initially in France and Great Britain, but also in Germany beginning in 2021. Russia, in contrast, should record stable growth. Spain should see slightly lower growth in the near term, but will remain at a very high level. Positive developments are expected beginning in 2022 and, especially, in 2023 (+4 %).

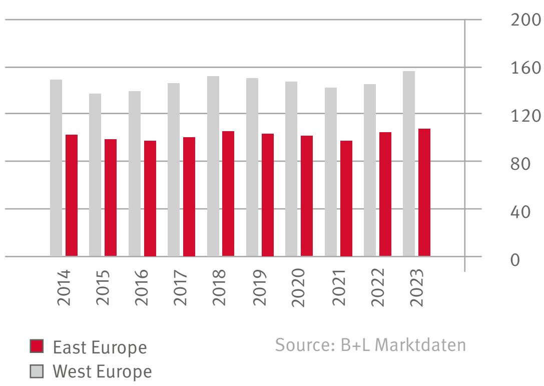
In the **non-residential construction** sector, the total space in new completions is projected to decline over the coming years. Declines are initially expected in Turkey, France and Great Britain, but later also in Russia, Poland and Germany. A sound recovery is forecasted for most of these regions beginning in 2022, and projections for the non-residential construction sector in 2022 and 2023 show solid growth rates in both Western and Eastern Europe.

Number of permits for residential buildings (thsd.)



Source: B+L Marktdaten

Space in approved non-residential construction (mill. m²)



Source: B+L Marktdaten

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6.4 Expected earnings, financial and asset situation

We expect stable development for the **furniture and interior construction** product area at all locations:

The **Decorative Products Central Division** should see stable market development in the retail sales channel. Our Brilon location (DE) is expected to record an increase in earnings over the previous year, which was negatively influenced by a temporary reduction in production capacity due to the upgrading of a laminating aggregate. Demand in the industrial sales channel appears to be levelling off, which could lead to a slight decline in prices.

In the **Decorative Products West Division**, contrasting developments are projected for Great Britain. The market should remain stable during the next half-year despite the uncertainties connected with the Brexit, which has now been postponed to October 31, 2019, but the effects of events occurring after this date are difficult to estimate. The implementation of the negotiated exit agreement has become less probable with the resignation of Theresa May. Boris Johnson, the EU-skeptical foreign minister, is currently viewed as her successor, and it is questionable whether a hard Brexit can be avoided under these circumstances.

EGGER is, in any event, prepared for a possible hard Brexit. In order to ensure a smooth transition under these circumstances, we have completed all necessary preparations from both a system and organizational standpoint. Raw material stocks in Great Britain have been increased and we are cooperating with reliable customs services providers. If a hard Brexit occurs, translation differences through an expected devaluation of the British Pound could be expected.

Our French plants should record stable development because the margin losses caused by rising raw material prices have now stabilized or have been passed on in part to customers.

The markets for the **Decorative Products East Division** should also remain stable. However, earnings in this division will be negatively influenced by non-capitalizable start-up costs for the scheduled start of production at the plant in Biskupiec (PL). Customers in Poland who were previously serviced by the plants in Radauti (RO) and Unterradlberg (AT) will now receive deliveries directly from Biskupiec (PL), and the Asian market will become more important for these two plants. Our challenge is to quickly benefit by shifting the necessary sales volumes to these overseas markets. A further challenge will be to secure timber supplies for our plant in Radauti (RO), which could also have a negative effect on earnings. Forecasts for the Russian market indicate strong growth. Our location in Gagarin (RU), where substantial investments were made in recent years, should benefit, in particular, from this development through the utilization of opportunities in both the chipboard and MDF areas.

The **Flooring Products Division** is expected to record only stable to slightly higher growth due to the ongoing pressure on prices in the flooring business. In addition to positive trends in wood and chemicals costs, we are expecting favorable effects from our new flooring aggregate. Further growth in sales of laminated flooring is expected in Russia and in the neighboring European and CIS regions.

Sales in the **Overseas** region are also under market pressure as the result of a weaker outlook for the economies in the emerging and developing countries.

The improvement in demand on the **OSB market** seems to be continuing. Our OSB plant in Wismar (DE), in particular, has benefited from this situation and should exceed the previous year's results. The OSB plant in Radauti (RO) is still faced with challenges in the area of timber procurement and the resulting negative effect on earnings.

In our **sawn timber business**, we are expecting stable development based on positive economic forecasts for the construction sector.

Our plant in **Argentina** will continue to confront us with numerous challenges. We are faced with numerous issues, above all in connection with the high inflation and devaluation of the Argentine Peso, which require the continuous adjustment of our selling prices to offset rising raw material costs.

Quarterly rolling forecasts optimally prepare us to address the market dynamics, and we are well positioned to master the coming challenges facing the EGGER Group. Stable development in our core business – furniture and interior construction – and growth in Russia as well as the shift of volumes from weaker regions to alternative markets lead us to expect **further steady revenue and earnings growth** for the Group in the 2019/20 financial year.

Greater **uncertainty** could come from the future course of political tensions in the Near East, from the effects of the Brexit and the political situation in Turkey and from foreign currency, inflation and economic developments in Argentina as well as the trade dispute between the USA and China and the resulting impact on the global economy. Developments on the raw materials markets, above all the shortage of wood, also represent a long-term risk.

We are addressing these issues by expanding our processing capacity and investing to improve the raw material and energy situation and by continuously optimizing the use of materials and cost structures. In order to further strengthen our **market position**, we are continuing to concentrate on product diversity, market diversification and the continuous innovation of our products, processes and services. Our solid financial base forms the foundation for long-term relations with customers and suppliers and continued stable, internally generated growth. Based on these measures, we see the general economic environment as positive over the coming 12 months and therefore expect full capacity utilization in our plants.

This outlook includes **forecasts** that are based on current estimates for future developments in the EGGER Group. Uncertainty or risks in the market environment could influence these future developments and lead to variances from the current estimates.

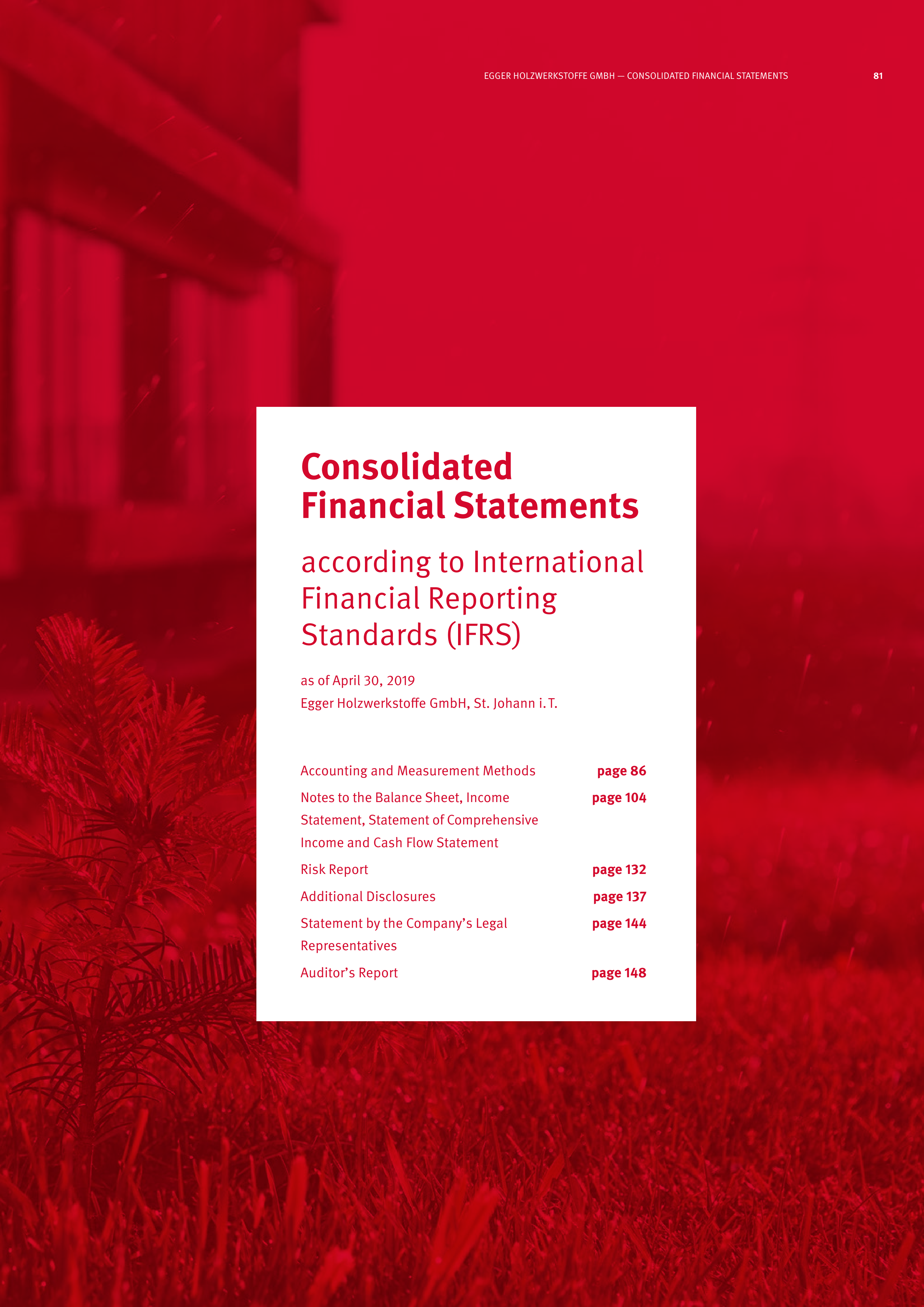
St. Johann in Tirol, July 15, 2019

Walter Schiegl
(CTO, Production, Engineering und Procurement)

Thomas Leissing
(Speaker of the Managing Board, CFO, Finance, Logistics and Human Resources)

Ulrich Bühler
(CSO, Marketing and Sales)

The Managing Board



Consolidated Financial Statements

according to International Financial Reporting Standards (IFRS)

as of April 30, 2019
Egger Holzwerkstoffe GmbH, St. Johann i. T.

Consolidated Balance Sheet as of April 30, 2019

Assets	Notes	30.04.2019 TEUR	30.04.2018 TEUR
Property, plant and equipment	(1)	1,876,768	1,603,980
Intangible assets	(1)	67,346	154,310
Investment property	(1)	484	2,018
Biological assets	(2)	3,459	2,367
Financial assets	(3)	22,636	25,615
Investments in associates	(4)	2,321	2,155
Other assets	(5)	5,343	7,633
Deferred tax assets	(16)	114,579	70,018
Non-current assets		**2,092,936**	**1,868,096**
Inventories	(6)	419,821	385,203
Trade receivables	(7)	95,923	93,684
Other assets	(5)	82,158	71,301
Current tax assets		5,095	8,180
Securities and financial assets	(3)	863	2,195
Cash and cash equivalents	(8)	444,534	212,004
Current assets		**1,048,394**	**772,567**
Total Assets		**3,141,330**	**2,640,663**

Equity and Liabilities	Notes	30.04.2019 TEUR	30.04.2018 TEUR
Share capital and reserves	(9, 10)	957,615	880,511
Perpetual bond	(9)	148,365	148,365
Non-controlling interests	(11)	40,718	37,580
Equity		**1,146,698**	**1,066,455**
Bonds	(12)	0	153,293
Financial liabilities	(12)	1,161,912	743,706
Other liabilities	(13)	137	3,304
Government grants	(14)	8,978	10,128
Income tax liabilities		0	32
Provisions	(15)	179,940	159,153
Deferred tax liabilities	(16)	5,128	16,119
Non-current liabilities		**1,356,095**	**1,085,735**
Bonds	(12)	151,340	307
Financial liabilities	(12)	84,318	93,046
Trade payables	(17)	253,321	240,425
Other liabilities	(13)	124,923	114,985
Government grants	(14)	1,274	1,897
Liabilities from income taxes		21,874	36,797
Provisions	(18)	1,486	1,016
Current liabilities		**638,537**	**488,472**
Total Equity and Liabilities		**3,141,330**	**2,640,663**

The amounts reported as of April 30, 2018 were adjusted to reflect the application of IAS 29.

Consolidated Income Statement for the 2018/19 Financial Year

	Notes	2018/2019 TEUR	2017/2018 (1) TEUR
Revenues	(19)	**2,841,539**	**2,690,109**
Other operating income (2)	(20)	54,410	42,880
Increase/decrease in inventories		16,854	27,539
Own work capitalized		11,836	5,180
Cost of materials	(21)	−1,538,793	−1,444,314
Personnel expenses (3)	(22)	−458,983	−467,455
Depreciation and amortization (4)	(1)	−281,866	−199,399
Other operating expenses	(23)	−476,283	−445,866
Operating profit		**168,714**	**208,674**
Financing costs	(24)	−17,867	−31,772
Other financial results	(24)	−344	−10,687
Income from financial investments	(25)	6,015	488
Income from associates		166	2,291
Profit before tax		**156,685**	**168,993**
Income taxes	(16)	−1,936	−4,443
Profit after tax		**154,748**	**164,549**
Thereof attributable to non-controlling interests		5,982	4,612
Thereof attributable to equity holders of the parent company		148,766	159,938
Total		**154,748**	**164,549**

(1) The amounts reported for the 2017/18 financial year were adjusted to reflect the application of IAS 29.
(2) Other operating income for 2018/19 includes income of TEUR 25,606 (2017/18: TEUR 18,295) from revaluations based on hyperinflation in Argentina.
(3) Personnel expenses for 2017/18 include TEUR 55,998 for additions to, respectively an increase in the provision for long-service bonuses. This amount resulted from the group-wide new introduction/increase in long-service bonus commitments in 2017/18.
(4) Impairment losses totaling of TEUR 90,283 were recognized to property, plant and equipment and intangible assets, including the goodwill in Egger Argentina SAU, during 2018/19.

Consolidated Statement of Comprehensive Income for the 2018/19 Financial Year

	Notes	2018/2019 TEUR	2017/2018 TEUR
Revaluation of obligations arising from post-employment benefits for employees	(15)	−9,411	4,002
Items that will not be reclassified to profit or loss		**−9,411**	**4,002**
Currency translation adjustments		−42,036	−100,891
Items that could possibly be reclassified to profit or loss		**−42,036**	**−100,891**
Profit after tax recognized in other comprehensive income	(26)	**−51,447**	**−96,889**
Profit after tax		154,748	164,549
Total comprehensive income for the period		**103,301**	**67,660**
Thereof attributable to non-controlling interests		5,687	4,738
Thereof attributable to equity holders of the parent company		97,614	62,923
Total		**103,301**	**67,660**

The amounts reported for the 2017/18 financial year were adjusted to reflect the application of IAS 29.

Consolidated Cash Flow Statement for the 2018/19 Financial Year

	Notes	2018/2019 TEUR	2017/2018 [1] TEUR
Profit before tax [2]		156,685	168,993
Depreciation and amortization	(1)	281,866	199,399
Impairment charges to and valuation of financial assets		50	67
Revaluation based on hyperinflation in Argentina	(1.5)	−25,606	−18,295
Net interest income/expense	(24)	16,856	30,551
Use of government grants	(20)	−1,962	−2,192
Income/loss from the disposal of fixed assets		−129	2,394
Income from associates		−166	−2,290
Increase/decrease in long-term provisions		5,722	52,730
Income taxes paid (net)		−57,121	−52,673
Gross cash flow		**376,196**	**378,684**
Increase/decrease in inventories		−43,759	−40,788
Increase/decrease in trade receivables		−7,962	−27,124
Increase/decrease in other assets		−7,923	−6,944
Increase/decrease in trade payables		11,172	−20,543
Increase/decrease in other liabilities		9,709	8,971
Increase/decrease in current provisions		583	−3,211
Cash flow from changes in net current assets		**−38,180**	**−89,639**
Cash flow from operating activities		**338,016**	**289,045**
Purchase of property, plant and equipment	(1)	−483,249	−335,257
Purchase of non-current intangible assets	(1)	−2,182	−1,736
Purchase of subsidiaries		0	−111,969
Purchase of financial assets		−1,901	−1,731
Proceeds from the disposal of financial assets		4,862	4,684
Proceeds from the disposal of non-current assets		9,658	6,749
Cash flow from investing activities		**−472,812**	**−439,260**
Issue of EGGER perpetual bond 2018	(9)	0	147,820
Redemption of EGGER bonds 2011−2018/2010−2017		0	−200,000
Increase in financial liabilities		773,991	324,394
Repayment of financial liabilities		−367,086	−73,224
Interest paid		−14,323	−32,218
Interest received		1,095	1,115
Distribution and interest paid on perpetual bond		−24,863	−9,000
Cash flow from financing activities		**368,814**	**158,887**
Net change in cash and cash equivalents		**234,018**	**8,672**
Effects of exchange rate fluctuations on cash held		−1,488	−7,304
Cash and cash equivalents at the beginning of the financial year		212,004	210,636
Cash and cash equivalents at the end of the reporting period		**444,534**	**212,004**

[1] The amounts reported for the 2017/18 financial year were adjusted to reflect the application of IAS 29.
[2] The amount reported for 2017/18 include TEUR 55,998 for additions to, respectively an increase in the provision for long-service bonuses. This amount resulted from the group-wide new introduction/increase in long-service bonus commitments in 2017/18.

Statement of Changes in Equity as of April 30, 2019

	Share capital TEUR	Perpetual bond TEUR	Reserves TEUR	Translation Reserve TEUR	Controlling interests TEUR	Non-controlling interests TEUR	Total TEUR
Balance on April 30, 2017	**11,509**	**0**	**972,046**	**−157,218**	**826,338**	**32,842**	**859,179**
Profit for the year	0	0	159,938	0	159,938	4,612	164,549
Other comprehensive income	0	0	3,876	−100,891	−97,015	126	−96,889
Total comprehensive income for the period	**0**	**0**	**163,814**	**−100,891**	**62,923**	**4,738**	**67,660**
Issue of perpetual bond 2018	0	148,365	0	0	148,365	0	148,365
(Deferred) taxes on items not recognized through profit or loss	0	0	250	0	250	0	250
Distribution	0	0	−9,000	0	−9,000	0	−9,000
Balance on April 30, 2018	**11,509**	**148,365**	**1,127,110**	**−258,109**	**1,028,876**	**37,580**	**1,066,455**
Adjustment resulting from initial application of IFRS 9	0	0	−23	0	−23	0	−23
Balance on May 1, 2018 (adjusted)	**11,509**	**148,365**	**1,127,088**	**−258,109**	**1,028,852**	**37,580**	**1,066,432**
Profit for the year	0	0	148,766	0	148,766	5,982	154,748
Other comprehensive income	0	0	−9,116	−42,036	−51,152	−295	−51,447
Total comprehensive income for the period	**0**	**0**	**139,650**	**−42,036**	**97,614**	**5,687**	**103,301**
Deferred) taxes on items not recognized through profit or loss	0	0	1,828	0	1,828	0	1,828
Distribution and interest paid on perpetual bond	0	0	−22,313	0	−22,313	−2,550	−24,863
Balance on April 30, 2019	**11,509**	**148,365**	**1,246,251**	**−300,145**	**1,105,980**	**40,718**	**1,146,698**

The amounts reported for the 2017/18 financial year were adjusted to reflect the application of IAS 29.

INTRODUCTION BY GROUP MANAGEMENT
MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

Egger Holzwerkstoffe GmbH, St. Johann i.T.

Notes to the Consolidated Financial Statements as of April 30, 2019

1 Significant Accounting Policies

1.1 The Company

Egger Holzwerkstoffe GmbH, together with its subsidiaries, is a leading producer and supplier of wood materials. The business activities at the 18 production facilities are concentrated primarily on the following areas:

- Production and sale of carrier materials made of wood (chipboard as well as OSB, MDF, HDF, compact and lightweight boards) as well as edgings and laminates.
- Production and sale of laminated, comfort and design flooring.
- Production and sale of sawn timber.

The headquarters of the company and its management are located in St. Johann in Tirol, Austria.

The consolidated financial statements include the parent company, Egger Holzwerkstoffe GmbH, St. Johann i.T., as well as the subsidiaries under its control.

1.2 Basis of Preparation

In accordance with the provisions of § 245a of the Austrian Commercial Code, the consolidated financial statements as of April 30, 2019 were prepared in agreement with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) that were formulated by the International Accounting Standards Board (IASB), adopted by the European Union and called for mandatory application as of the balance sheet date.

INTRODUCTION BY GROUP MANAGEMENT
MANAGEMENT REPORT
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Initial application of standards and interpretations

IFRS 9 Financial Instruments replaces IAS 39 and requires mandatory application for financial years beginning on or after January 1, 2018. EGGER has applied this new standard prospectively since May 1, 2018.

IFRS 9 includes new rules for the classification and measurement of financial assets. The decisive factors for classification are the type of financial instrument, the business model and the payment flows. Measurement is based on amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) depending on the classification. The classification of financial liabilities does not change under IFRS 9.

EGGER examined the individual balance sheet positions in an internal project, which covered the identification and analysis of the financial instruments included in these positions as well as their allocation to the new measurement categories. Changes in the carrying amounts of the financial assets result from the new rules for the recognition of impairment losses.

The following table shows the transition from IAS 39 to IFRS 9 for the classification and measurement of financial assets:

Financial instrument	Original classification and measurement (IAS 39)	New classification and measurement IFRS 9	Carrying amount IAS 39 30.4.2018 in TEUR	Carrying amount IFRS 9 1.5.2018 in TEUR
Securities	At fair value through profit or loss	At fair value through profit or loss	666	666
Other financial assets	Available-for-sale financial assets	At fair value through profit or loss	12,686	12,686
Originated loans	Loans and receivables	At amortized cost	14,459	14,453
Trade receivables	Loans and receivables	At amortized cost	93,684	93,659
Other assets	Loans and receivables	At amortized cost	27,144	27,144
Derivative financial instruments	At fair value through profit or loss	At fair value through profit or loss	4,026	4,026
Cash and cash equivalents	Loans and receivables	At amortized cost	212,004	212,004

The new accounting and valuation methods lead to changes in the area of equity instruments. In accordance with IFRS 9, these instruments are generally measured at fair value through profit or loss.

IFRS 9 introduces a new impairment model, the “expected credit loss model”. For debt instruments carried at amortized cost or at fair value through other comprehensive income, an impairment allowance must be recognized at an amount equal to the expected credit loss over 12 months or over the term of the instrument. This leads to the earlier recognition of impairment losses, i.e. at the time of initial recognition.

Following an evaluation of the technical feasibility, EGGER developed a new impairment model which meets the requirements of IFRS 9 and reflects the required simplified procedure. The calculation of impairment losses for trade receivables is based on the records maintained by customer credit management, which document the actual default cases. An average percentage rate was calculated for customer default over the last three years and related to total revenues. This procedure was selected because the estimation of a range for the individual sales regions did not produce any material differences. The applied model includes existing credit insurance and future expectations, to the extent a forecast was possible. The initial application of the risk allowance defined by IFRS 9 led to an increase of TEUR 24.8 in impairment losses as of May 1, 2018.

The estimated expected credit losses for originated loans and other receivables are determined on the basis of external ratings and covered in part by collateral. The company's calculations led to additional impairment losses of TEUR 6.2 as of May 1, 2018.

	TEUR
Impairment losses as of 30.04.2018 (IAS 39)	4,280
Additional impairment losses from IFRS 9 for:	
Trade receivables	25
Originated loans	6
Impairment losses as of 01.05.2018 (IFRS 9)	**4,311**

The new rules defined by IFRS 9 also cover hedge accounting. An option is provided to apply the new standard or to continue the application of IAS 39. EGGER applied IFRS 9 prospectively to the accounting for hedges. The derivative financial instruments used for fair value hedges are intended to provide protection against interest rate risks. The transition to IFRS 9 did not lead to any effects on the opening balance sheet as of May 1, 2018.

EGGER carried out the change from IAS 39 to IFRS 9 in accordance with the transition guidance and did not adjust previous periods. The transition effects as of May 1, 2018 were recorded under equity. These transition effects led, in total, to a reduction of TEUR 31 in equity, respectively TEUR 23 after the deduction of deferred taxes.

The cumulative effects of IFRS 9 and IFRS 15 as of the initial application date, i.e. May 1, 2018, are as follows:

	30.4.2018 TEUR	Adjustments IFRS 9 TEUR	Adjustments IFRS 15 TEUR	1.5.2018 TEUR
Assets				
Financial assets	25,615	−6		25,609
Deferred tax assets	70,018	+8		70,026
Trade receivables	93,684	−25		93,659
Equity and Liabilities				
Share capital, reserves (incl. IAS 29 adjustments)	880,511	−23		880,488
Trade payables	240,425		−2,661	237,764
Other liabilities	114,985		+2,661	117,646

IFRS 15 Revenue from Contracts with Customers defines an extensive framework for determining whether revenue should be recognized and the amount and timing of this recognition. It replaces the previous guidelines for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

EGGER applied this standard as of May 1, 2018 based on the modified retrospective method. The transition to IFRS 15 involves the recognition of the cumulative adjustment amounts as of May 1, 2018. Accordingly, the comparative information as of April 30, 2018 was not adjusted. The initial application did not result in any cumulative effects on the opening equity balance as of May 1, 2018. All other adjustment effects resulting from IFRS 15 are shown in the table at the end of the comments on IFRS 9.

EGGER's business model covers the production and sale of wood materials. Revenues from the sale of products are recognized when the customer receives the goods and assumes the control connected with the transfer of ownership. Revenues are recognized at this point in time when the revenues and related costs can be reliably determined, when the receipt of payment is probable and when there is no further right of disposal over the goods. The recognition of revenues does not change substantially under IFRS 15 because customers obtain control over the goods when the products are sold. The transfer of control generally represents the delivery date as specified in the agreed delivery terms.

Chipboard with special or individually designed decors and private label flooring are produced in smaller volumes for individual customers. In accordance with IFRS 15, revenues from the production of these customer-specific wood materials are recognized when control is transferred to the customer in accordance with the delivery terms. The earlier realization of revenue is not possible because an alternative use can be found for each of these products.

Customer contracts in the Flooring Products Segment can include costs for obtaining the contract. However, an analysis of the outstanding contracts did not identify any contractual assets which would require capitalization as non-current assets over the contract term. Certain flooring contracts give customers the right to return the products at a later date. Since the amount of flooring returned during the past two financial years was immaterial, there was no reduction of revenues to reflect subsequent returns.

Many contracts with customers include agreements for variable consideration like price reductions, discounts or sales bonuses. As of May 1, 2018, TEUR 27,535 were reclassified to contractual liabilities in accordance with IFRS 15. The income statement shows the accruals for customer discounts as sales deductions instead of operating costs, and the commissions to independent sales representatives are reported as other operating expenses instead of sales deductions.

Advance payments from customers have been recognized as contractual liabilities since May 1, 2018 in accordance with IFRS 15 and are no longer recorded under "prepayments on orders". The resulting effect equaled TEUR 2,661.

The effects from the application of IFRS 15 as of April 30, 2019 are shown below:

Liabilities	Amounts adjusted as of 30.04.2019 TEUR	Adjustment IFRS 15 TEUR	Amounts excl. IFRS 15 adjustment TEUR
Trade payables	253,321	+4,018	257,339
Other liabilities	124,923	−4,018	120,905

The provisions of **IAS 29 Financial Reporting in Hyperinflationary Economies** were relevant for the subsidiary Egger Argentina SAU, Buenos Aires, for the first time in the 2018/19 financial year because of changes in the general purchasing power of the functional currency. The gains and losses resulting from inflationary adjustments to the carrying amounts of non-monetary assets (machinery, goodwill and customer benefits) and liabilities and to income statement positions are recorded under other operating income. IAS 29 was applied retrospectively in agreement with IAS 8, and the comparable prior period amounts were adjusted.

The calculation of the inflationary adjustments to non-monetary assets was based on the "Argentina National CPI Index D" issued by Bloomberg. This index rose by 55.80 % from May 1, 2018 to April 30, 2019, which represents a value increase of TEUR 25,606 (October 1, 2017 to April 30, 2018: 16.31 %; TEUR 18,295).

The adjustments to the balance sheet are summarized in the following table:

	30.04.2018 TEUR	Adjustment IAS 29 TEUR	30.04.2018 adjusted TEUR
Assets			
Property, plant and equipment	1,600,370	+3,610	1,603,980
Intangible assets	141,920	+12,390	154,310
Equity and Liabilities			
Share capital and reserves	866,314	+14,197	880,511
Deferred tax liabilities	14,316	+1,803	16,119

The effects of IAS 29 on the statement of comprehensive income and the cash flow statement in the previous year are shown below:

	2017/2018 TEUR	Adjustment IAS 29 TEUR	2017/2018 adjusted TEUR
Statement of comprehensive income:			
Revenues	2,683,569	6,540	2,690,109
Other operating income	24,796	18,084	42,880
Cost of materials	−1,440,697	−3,617	−1,444,314
Personnel expenses	−466,370	−1,085	−467,455
Depreciation and amortization	−198,790	−609	−199,399
Other operating expenses	−444,239	−1,627	−445,866
Income taxes	−2,450	−1,993	−4,443
Currency translation adjustments	−99,394	−1,497	−100,891
Cash flow statement:			
Profit before tax	151,307	17,686	168,993
Depreciation and amortization	198,790	609	199,399
Revaluation based on hyperinflation in Argentina	0	−18,295	−18,295

The other standards, changes to standards and interpretations which required initial application in 2018/19 had no material effects on the consolidated financial statements.

Standards and interpretations to be applied in the future

The following standards and interpretations were announced by the IASB, but did not require application in the 2018/19 financial year. Egger Holzwerkstoffe GmbH did not elect to utilize the option that permits earlier application.

Standards/Interpretations		Adopted by the EU	Mandatory application as of
IAS 19	Changes: Plan amendments, curtailments and settlements	13.3.2019	1.1.2019
IAS 28	Changes: Long-term interests in associates and joint ventures	8.2.2019	1.1.2019
IFRS 9	Change: Prepayment features with negative compensation	22.03.2018	1.1.2019
IFRS 16	Leases	31.10.2017	1.1.2019
IFRIC 23	Uncertainty over Income Tax Treatments	23.10.2018	1.1.2019
Various	Annual Improvements to IFRS – Cycle 2015 – 2017 - various standards	14.3.2019	1.1.2019
	Changes in references to the conceptual framework in IFRS standards	planned 2019	1.1.2020
IFRS 3	Change: Definition of a business	planned 2019	1.1.2020
IAS 1 and IAS 8	Change: Definition of materiality	planned 2019	1.1.2020
IFRS 17	Insurance Contracts	open	1.1.2021

The IASB published **IFRS 16 Leases** in January 2016. This new standard is applicable to financial years beginning on or after January 1, 2019, whereby earlier application is permitted. EGGER has selected the modified retrospective method for the initial application, which will take place as of May 1, 2019.

Therefore, the cumulative effect from the changeover will be reported as an adjustment to the opening balance sheet for the reporting period and the comparative periods will not be restated.

A Group-wide IFRS 16 conversion project was carried out in 2018/19 and included the integration of a central database solution for the administration of and future accounting for leases. In this connection, the various contracts were also evaluated according to the IFRS 16 criteria.

Additional information concerning the effects on the presentation of the Group's asset, financial and earnings positions and on other components of the EGGER Group's consolidated financial statements which were analyzed as part of the conversion project is provided in the following paragraphs:

New assets and liabilities from operating leases and rental agreements for land, buildings, machinery and motor vehicles totaling approximately TEUR 19.666 will be capitalized as of the initial application date. This will lead to an increase in non-current assets and the balance sheet total as well as an increase in net financial liabilities. The practical expedient defined by IFRS 16 will be applied, in part, to leases with a term of 12 months or less, to leases with a remaining term of 12 months or less and to low-value leases (EUR 5,000). In these cases, the lease payments will still be recorded as expenses.

EGGER applied IFRS 16 to all leases concluded prior to May 1, 2019 which were defined as leases under IAS 17 or IFRIC 4.

The exemption not to include initial direct costs in the measurement of the right-of-use assets was also applied.

The incremental borrowing rate is derived from a risk-free interest rate for the underlying terms, which is adjusted to reflect any country, currency and/or business risks.

Based on the information currently available, EBITDA for the 2019/20 financial year will increase by approximately TEUR 5,910. Cash flow from operating activities will also improve because payments will be separated into a principal portion and an interest portion in the future and reported under cash flow from financing activities.

The other standards and interpretations are not expected to have any material effect on the consolidated financial statements.

The consolidated financial statements were prepared on the basis of historical acquisition and production cost, with the exception of the following: derivative financial instruments, financial instruments carried at fair value through profit or loss, biological assets, provisions for pensions and similar obligations, and the residual liability from factoring. These latter items are carried at fair value.

The consolidated financial statements are prepared in thousand Euros (rounded). The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts and percentage rates.

1.3 Scope of Consolidation

The consolidated financial statements include 17 Austrian (30.4.2018: 17) and 48 foreign (30.4.2018: 47) fully consolidated subsidiaries over which Egger Holzwerkstoffe GmbH has control. Egger Holzwerkstoffe GmbH is considered to exercise control over a company when it is exposed to the risk of, or has rights to, variable returns from its involvement in the company and can affect the amount of these returns through its power over the company. One foreign company is included in the consolidated financial statements at equity.

A list of all companies included in the consolidated financial statements of Egger Holzwerkstoffe GmbH is provided in the notes.

Egger Orman Ürünleri A.S, Gebze, was initially included in the consolidated financial statements through full consolidation during the second half of 2018/19.

TOV “Egger Wood Trading”, Chernivtsi, was founded in 2018/19 but not included in the consolidated financial statements because the related amount is immaterial.

The following companies were renamed during the reporting year:

Name of company	Previous name	Headquarters
Egger Americas Holding GmbH	Egger Verwaltungsgesellschaft m.b.H	St. Johann i. T.
Egger Nordamerika Beteiligungs GmbH	Egger Belgien Beteiligungsverwaltung GmbH	St. Johann i. T.
Egger Südamerika Beteiligungs GmbH	Egger Project Blue GmbH	St. Johann i. T.
Egger Business Services GmbH	Egger Building Products GmbH	St. Johann i. T.
Egger Argentina Investment Limited	Project Blue Limited	Woking
Egger Argentina Holding Limited	Project Pink Limited	Woking

1.4 Basis of Consolidation

In accordance with IFRS 3, subsidiaries are initially consolidated as of the acquisition date by allocating the acquisition cost to the revalued assets acquired and the revalued liabilities and contingent liabilities assumed (purchase method). Acquisition-related costs are expensed as incurred.

EGGER decides on an individual basis for each business combination whether the non-controlling interests in the acquired company will be accounted for at fair value or based on the proportional share of net assets in the acquired company.

Non-controlling interests in the equity of consolidated companies are reported as a separate position under equity. The share of annual profit after tax attributable to non-controlling interests is shown separately on the income statement.

Any agreement for contingent consideration in connection with the acquisition of a company (put option) whose exercise will lead to the transfer of the remaining non-controlling interests is recognized as a liability at the applicable fair value. Subsequent changes in the fair value of the contingent consideration are recognized to profit or loss and recorded on the income statement.

A change in the amount of an investment in a subsidiary without the loss of control is accounted for as a transaction within equity. Accordingly, the difference between the cost of the additional shares and the proportional carrying amount of the non-controlling interests is offset against reserves.

All receivables, liabilities, revenues and expenses arising from transactions between consolidated companies are eliminated. The consolidation process also includes the elimination of gains and losses on the sale of fixed or current assets and the provision of services between Group companies, unless these items are immaterial.

Shares in associates are initially recognized at acquisition cost as of the purchase date in accordance with the equity method. In subsequent periods, the carrying amount is adjusted to reflect the proportional share of profit or loss generated by the associate.

1.5 Foreign Exchange Translation and Financial Reporting in Hyperinflationary Economies (IAS 29)

Transactions in a foreign currency

The individual Group companies record foreign currency transactions at the average exchange rate in effect on the date of the transaction. Monetary assets and liabilities are translated into Euros at the average rate in effect on the balance sheet date. Any resulting translation gains and losses are recognized to profit or loss in the respective financial year.

Translation of foreign currency financial statements

The annual financial statements of Egger Holzwerkstoffe GmbH are prepared in Euros. The respective local currency represents the functional currency for subsidiaries located outside the Eurozone, with the exception of Roma Plastik Sanayi ve Ticaret A.S. and Romainvest Yatirim ve Ticaret A.S., whose functional currency is the Euro. The assets and liabilities (including goodwill and valuation adjustments resulting from initial consolidations) in the financial statements of companies that do not report in the Euro are translated at the average rate in effect on the balance sheet date. Any resulting translation gains or losses are recorded to a separate item under equity without recognition through profit or loss and recognized to the income statement when the company is deconsolidated. The income statement items are translated at the weighted average exchange rate for the financial year.

Unrealized foreign exchange translation differences arising from long-term shareholder loans (net investments) are recorded under the translation reserve without recognition through profit or loss. These differences are transferred to the income statement when the foreign company is sold in full or in part.

The exchange rates used for foreign currency translation developed as follows during the reporting year:

Exchange Rates		Closing rate on 30.04.2019	Closing rate on 30.04.2018	Average rate for the year 2018/2019	Average rate for the year 2017/2018
1 British Pound	EUR	1.15945	1.13688	1.13546	1.13099
100 Russian Rubles	EUR	1.38500	1.33000	1.33457	1.45133
1 New Romanian Leu	EUR	0.21016	0.21464	0.21343	0.21658
1 Polish Zloty	EUR	0.23304	0.23694	0.23240	0.23706
1 Argentinian Peso	EUR	0.02023	0.04031	0.02481	0.04456
1 US Dollar	EUR	0.89142	0.82788	0.87100	0.84258
1 Turkish Lira	EUR	0.15117	–	0.16417	–

Financial Reporting in Hyperinflationary Economies (IAS 29)

The provisions of **IAS 29 Financial Reporting in Hyperinflationary Economies** were relevant for the subsidiary Egger Argentina SAU, Buenos Aires, for the first time in the 2018/19 financial year because of changes in the general purchasing power of the functional currency. The gains and losses resulting from inflationary adjustments to the carrying amounts of non-monetary assets (machinery, goodwill and customer benefits) and liabilities and to material income statement positions are recorded under other operating income. The calculation of the inflationary adjustments to non-monetary assets is based on the “Argentina National CPI Index D” issued by Bloomberg. This index rose by 55.80 % from May 1, 2018 to April 30, 2019, which represents a value increase of TEUR 25,606 (October 1, 2017 to April 30, 2018: 16.31 %; TEUR 18,295).

1.6 Significant Accounting Policies

1.6.1 Property, plant and equipment, intangible assets and investment property

Purchased intangible assets are recorded on the balance sheet at acquisition cost, less accumulated straight-line amortization and any necessary impairment charges.

In accordance with IAS 38, the greenhouse gas emission certificates (CO_2 certificates) which are allocated free of charge in Austria, Germany, France and Romania without direct connections to specific equipment are recorded under intangible assets at their acquisition cost – which in this case equals zero because of the free allocation. The use of the certificates is also recorded at this same value. Any additional certificates required to cover excess emissions are recorded under a provision at the market value of the certificates purchased. Sales of these certificates are reported under other operating income.

Customer relations obtained through a business combination are stated at their fair value as of the acquisition date. These customer relations have a limited useful life.

For **internally generated intangible assets**, the production period is divided into a research phase and a development phase. Costs incurred during the research phase are expensed immediately. All costs previously incurred during the development phase of intangible assets were also expensed because the recognition criteria defined by IAS 38 were not met or the relevant amounts were immaterial. Research and development expenses totaled TEUR 6,883 in 2018/19 (2017/18: TEUR 6,854).

Intangible assets have a finite or an indefinite useful life. All intangible assets recorded on the balance sheet, with the exception of goodwill, have a finite useful life.

Property, plant and equipment are recorded at acquisition or production cost, less accumulated depreciation and any necessary impairment losses.

The production cost of self-constructed property, plant and equipment comprises direct costs and an appropriate component of overheads. Costs incurred for an asset in subsequent periods are only capitalized if they lead to a significant increase in the opportunities to use the asset in the future, e.g. through expanded service potential or a significant extension of the asset's useful life.

If major components of property, plant or equipment have significantly different patterns of use, they are recognized separately in accordance with the component approach and depreciated separately based on their respective useful life.

Borrowing costs, including related transaction costs, are capitalized for qualifying assets.

Systematic amortization for intangible assets with finite useful lives and depreciation for tangible assets is calculated by applying the straight-line method over the expected useful life of the asset. The depreciation and amortization rates used by Group companies are based on the following standard useful lives:

Property, plant and equipment		Useful life in years
Factory buildings	years	25
Residential and commercial buildings	years	50
Facilities installed on property	years	10
Machinery	years	10
Tools	years	4
Other equipment	years	5 – 10
Furniture, fixtures and office equipment	years	3 – 5
Motor vehicles and other means of transportation	years	4 – 10

Intangible assets		Useful life in years
Patents, licenses and software	years	5
Lease and rental rights	years	10
Customer relationships	years	4 – 7

Government grants are recorded to a separate position under liabilities and released to the income statement as other income over the useful life of the relevant asset.

Investment property is carried at acquisition or purchase cost less scheduled depreciation based on the useful life and any necessary impairment charges.

1.6.2 Goodwill

Goodwill reported on the balance sheet results from the use of the purchase method to account for business combinations. Goodwill is recognized at acquisition cost.

In accordance with IFRS 3, goodwill is no longer amortized on a systematic basis. Goodwill acquired before May 1, 2004 was set at the carrying amount as of April 30, 2004 and – similar to goodwill acquired after that date – is tested each year for impairment by comparing the carrying amount with the recoverable amount as of the balance sheet date.

Any goodwill arising from the acquisition of investments in associates is included in the carrying amount of the respective item.

1.6.3 Assets acquired through leases

If a lease substantially transfers all risks and rewards incidental to the ownership of an asset to the lessee (finance lease), the asset is recognized as a component of property, plant and equipment or as an intangible asset and depreciated or amortized on a systematic basis over the expected useful life. The asset is recognized at the start of the lease at the lower of fair value or the present value of the future minimum lease payments. A corresponding entry is recognized as a financial liability in the form of the present value of the future minimum lease payments arising from the lease.

Assets obtained through operating leases are attributed to the lessor. The related lease payments are expensed by the lessee on a straight-line basis over the lease term.

1.6.4 Biological assets

Biological assets are recognized at their fair value less estimated selling costs. Changes resulting from the initial recognition and subsequent measurement are recognized to the income statement.

1.6.5 Financial assets

All securities held by the Group are classified at fair value through profit or loss because measurement at fair value is possible. These items are recognized at acquisition cost as of the purchase date and measured at fair value in subsequent periods. Any changes in this value are recognized to the income statement. The fair value of securities reflects the market value as of the balance sheet date.

Securities held for the short-term investment of funds are reported under current assets on the balance sheet and initially recognized as of the purchase date.

The certified emission reduction certificates issued in Romania (Öko-CER certificates) are recorded at their fair value, whereby any changes in fair value are recognized to profit or loss and reported on the income statement. The fair value of the Öko-CER certificates is based on the market price as of the balance sheet date. The sale of these certificates is reported under other operating income.

Loans are carried at amortized cost. The estimated expected credit losses for loans granted to third parties are based on factors which include external ratings. Collateral is also included in the calculation.

Other financial assets are carried at fair value through profit or loss.

1.6.6 Impairment

In addition to measurement at amortized or depreciated cost, assets are tested for signs of impairment as of each balance sheet date. The higher of the value in use and the net selling price of an asset is determined at least once each year for intangible assets with an indefinite life and for goodwill, and also on an interim basis if any signs of impairment are identified. If this value is less than the carrying amount, an impairment charge is recorded to reduce the carrying amount of the asset to the lower value.

The value in use corresponds to the present value of the estimated future cash inflows and outflows expected to be derived from the use of the asset, whereby the calculation is based on a risk-adjusted interest rate. The net realizable value represents the amount obtainable from the sale of an asset in a transaction between independent parties, less any costs necessary to make the sale. If it is not possible to identify independent cash surpluses for a particular asset, the asset is included in the next larger unit (cash-generating unit) for which independent cash surpluses can be determined.

Impairment charges are recognized through profit or loss. If the circumstances responsible for impairment cease to exist at a later date, the impairment loss is reversed and the carrying amount of the asset is increased up to the applicable amortized or depreciated cost. This procedure does not apply to impairment losses recognized to goodwill or to intangible assets with an indefinite useful life.

1.6.7 Inventories

Inventories are measured at the lower of cost or net realizable value as of the balance sheet date.

Acquisition cost includes all costs incurred to place the asset in the desired condition at the desired location. Production cost includes direct expenses as well as an appropriate share of production overheads based on average capacity usage. Borrowing costs as well as selling and administrative overheads are not included in production cost. The moving average method is used to determine the cost per unit. Risks related to the length of storage and reduced possibilities for use are reflected in appropriate write-downs.

1.6.8 Trade receivables and other assets

Trade receivables are initially recognized at the applicable transaction price and subsequently measured at amortized cost less any necessary valuation adjustments.

For the calculation of the portfolio valuation allowances, EGGER developed a new impairment model that reflects the required simplified procedure. The calculation of impairment losses for trade receivables is based on the records maintained by customer credit management, which document the actual default cases. An average percentage rate is calculated for customer default over the last three years and related to total revenues. This procedure was selected because the estimation of a range for the individual sales regions did not produce any material differences. The applied model includes existing credit insurance and future expectations, to the extent a forecast was possible.

The measurement of individually impaired receivables includes the probability of incoming payments. Uncollectible receivables are derecognized.

Other assets are initially recognized at fair value and subsequently measured at amortized cost less any necessary impairment losses.

Non-interest-bearing receivables with a term of more than one year are carried at their present value.

1.6.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, time deposits with a term of less than three months from the date of acquisition and demand deposits with credit institutions.

1.6.10 Employee benefits

Termination benefits

Legal regulations require companies in Austria to make one-time severance payments on termination or retirement to employees whose employment relationship started before January 1, 2003. The amount of the severance payment is dependent on the length of service and the salary/wage at the end of employment, and equals up to 12 monthly salary or wage installments. A provision was created for this obligation based on calculations by an independent actuary.

The provision is calculated according to the projected unit credit method, which uses actuarial procedures to determine the present value of future payments for the periods in which the maximum claims are earned (25 years).

The current service cost and interest expense are included in the annual financial statements. Actuarial gains and losses are recorded in other comprehensive income without recognition through profit or loss in accordance with IAS 19.

For employees in the Austrian subsidiaries whose employment relationship started after January 1, 2003, a monthly contribution (1.53 % of the gross wage or salary) is made to an employee severance compensation fund. The employees earn claims to severance compensation from the fund, and the company has no further obligations.

Pension obligations
Certain subsidiaries of Egger Holzwerkstoffe GmbH are required by individual commitments to make pension payments to employees after their retirement. The EGGER Group has both defined contribution and defined benefit pension plans.

A provision was created for **defined benefit obligations** that are not covered by sufficient pension plan assets. This provision is determined in accordance with IAS 19, whereby calculations are based on the projected unit credit method. An actuarial procedure is used to determine the present value of future payments based on realistic assumptions for the periods in which benefit entitlements are earned. The provision reported on the balance sheet represents the present value of the defined benefit obligation after the deduction of the fair value of plan assets. The required amount of the provision is calculated by independent actuaries as of each balance sheet date.

The actuarial gains and losses on pension obligations are recorded under other comprehensive income in accordance with IAS 19. The current service cost is included in personnel expenses, while the net interest expense is part of financial results.

All employees in the Austrian subsidiaries are entitled to a company pension. The monthly payments for these **defined contribution obligations** are included in personnel expenses. The company has no further obligations above and beyond the employer contributions. The employees of the subsidiaries in England are entitled to a company pension (defined contribution) if they also make a contribution. The company has no other obligations apart from the employer's contributions of 4.5 % (respectively 7.3 % for salaried employees who, prior to 2000, were beneficiaries of the defined benefit pension plan that was closed in 2002) of the gross monthly salary to the Standard Life pension fund.

Provisions for long-service bonuses and semi-retirement programs for older employees
Contractual agreements require the company to pay special bonuses to employees who have reached a specific number of years of service with the company (beginning at 10 years of service). A provision was created for this obligation.

The valuation of this provision is based on the same methods and assumptions used to calculate the provision for termination benefits. However, the current service cost, actuarial gains and losses and interest expense are recorded to the income statement.

Agreements covering semi-retirement programs for older employees are accounted for on a pro rata basis.

1.6.11 Other provisions

Other provisions are recognized when the company has incurred a legal or constructive obligation to a third party based on a past event, and it is probable that the obligation will lead to an outflow of resources. A provision is created in accordance with the best possible estimate – at the time the financial statements are prepared – of the amount that will be required to meet the obligation. If a reliable estimate is not possible, the provision is not recognized.

If the nominal value of a non-current provision differs materially from its present value based on an ordinary market interest rate which reflects the risks and term of the obligation, the present value is used.

1.6.12 Taxes

Income taxes shown for the reporting year include the income tax calculated on profit before tax for the individual companies based on the applicable tax rate in each country (actual income taxes) as well as the change in deferred taxes.

Deferred taxes are calculated in accordance with the balance sheet liability method defined by IAS 12 for all temporary differences arising between the separate financial statements prepared by the Group companies for tax purposes and the consolidated IFRS financial statements. Tax benefits that are expected to be realized on loss carryforwards in the future are also included in the calculation. Exceptions to the general rule for the creation of deferred taxes are differences arising from goodwill that is not deductible for tax purposes and temporary differences related to investments in subsidiaries and associates. Deferred tax assets are only recognized if it is probable that the inherent tax benefit will be realized. The calculation of deferred taxes is based on the relevant tax rate defined by tax regulations in the reporting company's home country. A change in the tax rate is reflected in the calculation when this change has been substantively enacted.

1.6.13 Bonds and financial liabilities

Bonds are carried at amortized cost. The initial recognition reflects the proceeds received from the issue. Any premium, discount or other difference between the amount received and the repayment amount is recognized to profit or loss over the term of the financing based on the effective interest method. Other financial liabilities are initially recognized at the fair value of the consideration received and subsequently measured at amortized cost based on the effective interest method.

1.6.14 Trade payables and other liabilities

Trade payables are recognized at the fair value of the goods or services received when the relevant liability is incurred. In subsequent periods, these liabilities are measured at amortized cost. Other liabilities that do not result from the provision of goods or services are carried at their repayment amount.

1.6.15 Derivative financial instruments

Hedges are concluded to reduce the risks arising from changes in foreign exchange rates and interest rates. The financial instruments used by the EGGER Group consist primarily of forward exchange contracts, interest rate swaps and interest rate options.

Derivative financial instruments are recognized at cost on the date the contract is concluded and measured at fair value in subsequent periods. The valuation models applied to derivatives reflect both the company's own credit risk and external credit risk. Unrealized changes in value are recognized to profit or loss.

A cash flow hedge as defined in IFRS 9 is an instrument designed to hedge future payment flows. The gains and losses resulting from changes in the value of a derivative financial instrument are recognized to other comprehensive income at an amount equal to the effective portion of the present value and transferred to profit or loss when the underlying transaction is realized. The ineffective portion of an effective hedge is recognized immediately to profit or loss.

The accounting treatment for a fair value hedge includes the measurement at fair value through profit or loss of the derivative hedging instrument as well as the underlying transaction based on the hedged risk. Therefore, only the ineffective portion of the hedge is included in results for the period.

The fair value of forward exchange contracts is determined on the basis of foreign exchange spot rates and interest rates as of the balance sheet date. Interest rate swaps are measured at present value using current interest rates. The value of interest rate options is determined by applying standard calculation models and also incorporates current interest rates and related fluctuations.

1.6.16 Recognition and disposal of financial instruments

All financial instruments are recognized at the applicable value as of the settlement date.

Financial instruments are derecognized when the right to receive cash flows and, in principal, all risks and rewards are transferred to the buyer. Additional information on the sale of financial instruments is provided under note 7 to the consolidated financial statements.

1.6.17 Revenue recognition

EGGER's business model covers the production and sale of wood materials. Revenues from the sale of products are recognized when the customer receives the goods and assumes the control connected with the transfer of ownership. Recognition takes place at this point in time when the revenues and related costs can be reliably determined, when the receipt of payment is probable and when there is no further right of disposal over the goods. For EGGER, this generally represents the delivery date as specified in the agreed delivery terms.

Chipboard with special or individually designed decors and private label flooring are produced in smaller volumes for individual customers. In accordance with IFRS 15, revenues from the production of these customer-specific wood materials are recognized when control is transferred to the customer in accordance with the delivery terms. The earlier realization of revenue is not possible because an alternative use can be found for each of these products.

Material costs for obtaining a contract are only recognized when the contract term exceeds one year. The EGGER Group has no such costs at the present time.

Certain flooring contracts give customers the right to return the products at a later date. Past records show that the related returns are immaterial, and revenues were therefore not reduced to reflect subsequent returns.

Revenues are presented after the deduction of price reductions, discounts and turnover bonuses.

Commissions for independent sales representatives are recorded under operating expenses.

The period between the transfer of the goods to customers and payment by the customers is generally less than one year. Consequently, revenues are not adjusted to include a financing component. The timing of receivables payments is based on the agreed payment terms.

Rental income is recognized on a straight-line basis over the term of the rental agreement. One-time payments or exemptions are distributed over the term of the agreement.

1.6.18 Net financing costs and income from financial investments

Net financing costs comprise interest on borrowings, finance leases and provisions for long-term employee benefits as well as similar expenses and fees, interest income, exchange rate gains/losses and profit or loss on derivative financial instruments.

Income from financial investments includes interest, dividends and similar income received from the investment of cash and cash equivalents and investments in financial assets as well as gains and losses on the sale of financial assets and impairment charges to financial assets. Interest is accrued over the term of the respective contract. Dividends are recognized when the legal entitlement to the distribution arises.

1.6.19 Estimates

The preparation of the consolidated financial statements requires the estimation of certain amounts as well as the use of assumptions that influence the recognition of assets and liabilities, the disclosure of other obligations as of the balance sheet date and the recording of revenues and expenses during the reporting period. The actual figures that become known at a later date may differ from these estimates.

The following assumptions carry a significant risk that could result in a material adjustment of the carrying amounts of assets and liabilities during the next financial years:

- The valuation of existing obligations for pensions, termination benefits and long-service bonuses involves the use of assumptions for interest rates, retirement ages, life expectancy, employee turnover and the future development of salaries and wages.
- The recognition of deferred tax assets is based on the assumption that sufficient taxable income will be generated in the future to utilize existing loss carryforwards. Tax regulations and their interpretation by the taxation authorities can change over time. The risk that any such changes could have an effect on the deferred tax assets recognized on loss carryforwards and recorded in these consolidated financial statements (also see the carrying amounts under note 16 Income taxes) is appropriately estimated and continuously monitored by Group management.
- The assessment of risks arising from pending legal proceedings also includes a best possible estimate of the potential future payment outflows, which is based on the opinions of the involved experts.
- Judgments concerning the recoverable amount of intangible assets, goodwill and property, plant and equipment are based on forward-looking assumptions by management. These assumptions are related, above all, to the estimation of future cash surpluses based on the latest forecasts and the estimation of the discount rate.
- The valuation of biological assets requires numerous assumptions and estimates, whose change and adjustment can influence the presentation in the consolidated financial statements. These assumptions are based on the company’s experience and/or data supplied by the market and branch.
- The calculation of the expected credit losses on financial instruments involves estimates and assumptions of future default incidents. These assumptions are based on the company’s experience and/or on market information.

2 Notes to the Balance Sheet, Income Statement, Statement of Comprehensive Income and Cash Flow Statement

(1) Property, plant and equipment, intangible assets and investment property

Property, plant and equipment	Land and buildings TEUR	Machinery and equipment TEUR	Other equipment, furniture, fixtures and office equipment TEUR	Prepayments and assets under construction TEUR	Total TEUR
Acquisition or production cost as of 30.4.2017	**1,055,996**	**2,320,236**	**184,022**	**112,458**	**3,672,711**
Changes in the scope of consolidation	3,665	29,313	246	1,368	34,593
Foreign exchange increase/decrease	−46,613	−63,507	−4,453	−3,398	−117,970
Inflation adjustment as per IAS 29	0	3,938	0	0	3,938
Additions	17,969	53,352	20,379	261,875	353,574
Disposals	−5,906	−22,644	−6,974	−2,851	−38,375
Transfers	23,536	47,691	2,468	−74,163	−468
Acquisition or production cost as of 30.4.2018	**1,048,647**	**2,368,379**	**195,689**	**295,288**	**3,908,002**
Foreign exchange increase/decrease	5,240	−7,173	122	−2,015	−3,826
Inflation adjustment as per IAS 29	0	6,491	0	0	6,491
Additions	20,850	69,187	19,338	377,544	486,920
Disposals	−13,473	−26,739	−7,302	0	−47,514
Transfers	9,876	107,678	1,496	−119,166	−116
Acquisition or production cost as of 30.4.2019	**1,071,140**	**2,517,822**	**209,344**	**551,652**	**4,349,958**
Accumulated depreciation as of 30.4.2017	**−400,738**	**−1,665,728**	**−112,526**	**0**	**−2,178,992**
Foreign exchange increase/decrease	9,436	27,905	2,523	0	39,863
Scheduled depreciation	−39,655	−133,530	−21,099	0	−194,284
Disposals	3,255	19,730	6,405	0	29,390
Accumulated depreciation as of 30.4.2018	**−427,702**	**−1,751,624**	**−124,698**	**0**	**−2,304,023**
Foreign exchange increase/decrease	−1,561	3,062	−225	101	1,377
Scheduled depreciation	−37,635	−124,748	−22,906	0	−185,289
Impairment	−2,027	−20,145	−580	−546	−23,298
Disposals	6,608	24,815	6,621	0	38,043
Reclassifications	1	−1	0	0	0
Accumulated depreciation as of 30.4.2019	**−462,315**	**−1,868,642**	**−141,787**	**−445**	**−2,473,190**
Carrying amount as of 30.4.2018	620,945	616,755	70,991	295,288	1,603,980
Carrying amount as of 30.4.2019	**608,825**	**649,180**	**67,556**	**551,207**	**1,876,768**

In accordance with IAS 17, property, plant and equipment obtained through leases are recorded under non-current assets if the lease agreement substantially transfers the risks and rewards of ownership to the lessee. The carrying amount of these assets includes TEUR 3,639 (30.4.2018: TEUR 8,907) for land and buildings, TEUR 2,312 (30.4.2018: TEUR 2,540) for machinery and equipment and TEUR 0 (30.4.2018: TEUR 2) for other equipment, furniture, fixtures and office equipment. At the end of the lease, ownership of the asset is transferred to the lessee. The liabilities arising from these leases are reported under financial liabilities.

Additions to property, plant and equipment include TEUR 6,176 (30.4.2018: TEUR 2,299) of capitalized interest. Borrowing costs averaged 1.7 % for the reporting year.

Land and buildings include land with a carrying amount of TEUR 114,209 (30.4.2018: TEUR 111,894).

In addition to the write-off of the goodwill in Argentina as of October 31, 2018, the property, plant and equipment and intangible assets held by Egger Argentina SAU (Concordia plant, Other Segment) totaling TEUR 41,946 were written off in full as of April 30, 2019. The impairment test was based on a pre-tax discount rate of 39.07 % for the Argentine Peso as of April 30, 2019. The reasons for this additional write-off include the continuing high level of inflation during the second half-year and the lasting, substantial devaluation of the Argentine Peso (ARS) which reduced earnings expectations for the coming financial years as well as a further increase in the discount rate. The impairment loss was recorded on the income statement under depreciation and amortization.

INTRODUCTION BY GROUP MANAGEMENT

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Intangible assets	Software and other rights TEUR	Goodwill TEUR	Customer relationships TEUR	Other intangible assets TEUR	Total TEUR
Acquisition or production cost as of 30.4.2017	**21,807**	**78,486**	**21,524**	**4,462**	**126,278**
Changes in the scope of consolidation	61	65,426	28,465	0	93,951
Foreign exchange increase/decrease	−69	−14,551	−5,020	−781	−20,420
Inflation adjustment as per IAS 29	0	8,789	3,824	0	12,613
Additions	1,686	0	0	0	1,686
Disposals	−70	0	0	0	−70
Transfers	468	0	0	0	468
Acquisition or production cost as of 30.4.2018	**23,883**	**138,150**	**48,793**	**3,681**	**214,507**
Foreign exchange increase/decrease	−56	−30,635	−13,584	152	−44,122
Inflation adjustment as per IAS 29	0	7,958	6,430	0	14,388
Additions	2,182	0	0	0	2,182
Disposals	−1,052	0	0	0	−1,052
Transfers	116	0	0	0	116
Acquisition or production cost as of 30.4.2019	**25,072**	**115,474**	**41,639**	**3,834**	**186,019**
Accumulated amortization as of 30.4.2017	**−16,823**	**−17,221**	**−21,493**	**−3,618**	**−59,156**
Foreign exchange increase/decrease	45	3,013	312	637	4,007
Scheduled amortization	−1,785	0	−3,281	−51	−5,116
Disposals	68	0	0	0	68
Accumulated amortization as of 30.4.2018	**−18,495**	**−14,209**	**−24,462**	**−3,032**	**−60,197**
Foreign exchange increase/decrease	39	8,336	5,692	−127	13,939
Scheduled amortization	−1,995	0	−4,253	−47	−6,295
Impairment charges	−42	−48,337	−18,606	0	−66,985
Disposals	865	0	0	0	865
Accumulated amortization as of 30.4.2019	**−19,628**	**−54,210**	**−41,629**	**−3,205**	**−118,673**
Carrying amount as of 30.4.2018	5,388	123,942	24,331	650	154,310
Carrying amount as of 30.4.2019	**5,444**	**61,264**	**10**	**628**	**67,346**

Goodwill comprises the following:

	Carrying amount 30.04.2019 TEUR	Carrying amount 30.04.2018 TEUR
Egger Beschichtungswerk Marienmünster GmbH & Co. KG	1,522	1,522
Egger Benelux GCV	1,197	1,197
Roma Plastik Sanayi ve Ticaret A.S.	58,545	58,545
Egger Argentina SAU	0	62,677
	61,264	**123,942**

In accordance with IFRS 3, goodwill is not amortized on a scheduled basis but tested each year for signs of impairment. The EGGER Group defines cash-generating units as plants which are aggregated according to regional criteria.

Impairment testing involves discounting the expected cash flows defined by medium-term planning for the next five years.

The goodwill of TEUR 48,337 in Egger Argentina SAU (Concordia plant, Other Segment) was written off in full during the first half of 2018/19. Following this goodwill write-off as of October 31, 2018, non-current assets (excl. goodwill) generally represented the value in use of TEUR 59,085. The impairment test was based on a pre-tax discount rate of 36.73 % for the Argentine Peso as of October 31, 2018. The reasons for the write-off include the high level of inflation and substantial devaluation of the Argentine Peso (ARS) during the first half of 2018/19 and the resulting reduction in earnings expectations for the coming financial years. The impairment loss was recorded on the income statement under depreciation and amortization.

Assumptions for the calculation of the value in use		Roma Plastik 30.04.2019	Roma Plastik 30.04.2018	Egger Argentina 30.04.2019	Egger Argentina 30.04.2018
Normalized growth rate	in %	0 % – 5 %	4 % – 6 %	13 % – 58 %	7 % – 14 %
Growth rate perpetual annuity	in %	2.23 %	2.72 %	5.77 %	8.05 %
Pre-tax discount rate	in %	17.15 %	15.14 %	39.07 %	32.45 %
Value in use	MEUR	108	112	8	126
Carrying amount	MEUR	104	102	–	123
Difference value in use / carrying amount	MEUR	4	10	–	3

In addition to the impairment test, three sensitivity analyses were also carried out. An increase of 0.5 % in the underlying discount rate for Roma Plastik would have resulted in an impairment loss of MEUR 0.5. A change of −5.0 % in the EBIT from the perpetual annuity or −0.5 % in the growth rate for the perpetual annuity would not have resulted in an impairment loss to the investment in Roma Plastik.

The following table shows the results of the sensitivity analysis with the effects on the value in use. The simulation involved the change of one assumption at a time, while the other parameters remained constant:

Change in assumption – Effects on value in use		Roma Plastik (TR) 30.04.2019 MEUR	Roma Plastik (TR) 30.04.2018 MEUR
Discount rate	+/−0.5%	−4.5 +4.9	−5.6 +6.2
Growth rate perpetual annuity	+/−0.5%	+3.0 −2.7	+3.9 −3.5
EBIT perpetual annuity	+/−5.0%	+3.6 −3.6	+3.8 −3.8

Investment Property	Land and buildings TEUR
Acquisition or production cost as of 30.4.2017	**3,588**
Additions	0
Disposals	0
Acquisition or production cost as of 30.4.2018	**3,588**
Additions	0
Disposals	−2,839
Acquisition or production cost as of 30.4.2019	**749**
Accumulated depreciation as of 30.4.2017	**−1,511**
Scheduled depreciation	−59
Disposals	0
Accumulated depreciation as of 30.4.2018	**−1,570**
Scheduled depreciation	−58
Disposals	1,362
Accumulated depreciation as of 30.4.2019	**−266**
Carrying amount as of 30.4.2018	**2,018**
Carrying amount as of 30.4.2019	**484**

The disposal of TEUR 2,839 involved the Gwercher Inn, St. Pölten, which was sold to Getränke-Industrie Richard Schipal Gesellschaft m.b.H, St. Pölten/Unterradlberg. The resulting loss on the sale equaled TEUR 927.

The fair value of TEUR 1,032 (30.4.2018: TEUR 3,112) was determined by an income capitalization method (Level 3). The expenses arising from investment property amounted to TEUR 1,044 in 2018/19 (2017/18: TEUR 92), and income totaled TEUR 129 (2017/18: TEUR 128).

(2) Biological assets

	30.04.2019 TEUR	30.04.2018 TEUR
Biological assets as of May 1	2,367	2,001
Development costs for poplar plantation	66	77
Harvested timber	−276	−314
Change in fair value due to price changes	657	457
Change in fair value due to biological transformation	694	199
Foreign exchange increase/decrease	−49	−54
Biological assets as of April 30	**3,459**	**2,367**

F.E. Agrar S.R.L. in Romania operates poplar plantations on 805 hectares (30.4.2018: 805 hectares) near the Radauti plant to support continuous timber supplies for production. The development costs for the poplar plantations cover the preparation, planting and management of the trees.

In accordance with IAS 41, forest plantations are recognized and measured at their fair value less estimated selling costs based on a DCF-method. The present value of the expected cash flows is calculated by applying estimated variables for the timber price, development costs for the plantation, harvesting costs, planting density, biological risks and climate factors. Any changes in fair value, after the deduction of development costs, are recognized in profit or loss.

The fair value measurement of the poplar plantation, based on the input factors for the applied valuation methods, is classified as a Level 3 fair value.

A change in the estimation parameters during the coming years can lead to fluctuations in the value of the biological assets. The forest management strategy and the applied parameters are tested annually and compared with theoretical forestry benchmarks. The timber supply in the plantations is monitored continuously and compared with the supplies recorded in the forestry management program and the accounting system. Any variances are reflected in the adjustment of the valuation parameters.

(3) Securities and financial assets

Non-current financial assets	Acquisition cost 30.04.2019 TEUR	Accumulated incr./decr. in value 30.04.2019 TEUR	Carrying amount 30.04.2019 TEUR	Carrying amount 30.04.2018 TEUR
Securities carried at fair value through profit or loss	755	−83	673	666
Other financial assets	11,346	−16	11,330	12,686
Loans due from third parties	10,975	−447	10,528	12,231
Loans due from subsidiaries	105	0	105	33
	23,181	**−546**	**22,636**	**25,615**

Securities consist primarily of shares in funds. The carrying amount of these items reflects fair value. Net unrealized gains of TEUR 7 were included under income from financial investments during the reporting year (2017/18: gains of TEUR 2).

The **loans due from third parties** represent loans that are granted to support long-term supply relationships.

Securities and current financial assets

Current financial assets of TEUR 863 (30.4.2018: TEUR 1,484) represent loans and TEUR 0 (30.4.2018: TEUR 711) are attributable to a note receivable. Allocated emission certificates from the Romanian eco-subsidy with a remaining term of up to one year and a value of TEUR 1,977 (30.4.2018: TEUR 29) were written off in full.

Development of the impairment allowance for loans carried at amortized cost:

	30.04.2019 TEUR
Impairment allowance as of May 1 under IAS 39	0
Adjustment based on the initial application of IFRS 9	6
Impairment allowance as of May 1 under IFRS 9	6
Addition	0
Write-off	–5
Impairment allowance as of April 30	**1**

The impairment allowances for loans granted to third parties were based on the expected 12-month credit loss. There were no reclassifications between the individual levels on the impairment hierarchy during the reporting year.

(4) Shares in associates

	Carrying amount 30.04.2018 TEUR	Additions TEUR	Results for the year TEUR	Distributions TEUR	Carrying amount 30.04.2019 TEUR
Shares in associates	2,155	0	166	0	2,321

The carrying amount is related to Horatec GmbH (production of furniture components), Hövelhof. As of the balance sheet date, the non-current assets held by Horatec GmbH amounted to TEUR 5,467 (30.4.2018: TEUR 5,703), current assets to TEUR 3,451 (30.4.2018: TEUR 3,412), non-current liabilities to TEUR 1,880 (30.4.2018: TEUR 2,260) and current liabilities to TEUR 1,907 (30.4.2018: TEUR 2,340). Revenues for the reporting year totaled TEUR 15,086 (2017/18: TEUR 14,776) and annual net profit equaled TEUR 616 (2017/18: TEUR 620).

Horatec GmbH		30.04.2019	30.04.2018
Net assets Horatec GmbH	TEUR	5,131	4,515
Stake owned	in %	25.55 %	25.55 %
Goodwill	TEUR	1,047	1,047
Elimination of interim profits	TEUR	–37	–46
Carrying amount	**TEUR**	**2,321**	**2,155**

(5) Other assets

	Total 30.04.2019 TEUR	Thereof remaining term over 1 year TEUR	Thereof remaining term under 1 year TEUR	Total 30.04.2018 TEUR	Thereof remaining term over 1 year TEUR	Thereof remaining term under 1 year TEUR
Other assets						
Due from third parties	23,041	349	22,692	21,969	3,238	18,731
Due from factoring partners	4,466	0	4,466	5,167	0	5,167
Tax credits (non-income based taxes)	36,993	0	36,993	35,392	157	35,235
Suppliers with debit balances	9,925	0	9,925	7,286	0	7,286
Due from subsidiaries	4	0	4	8	0	8
Due from associates	39	0	39	0	0	0
Derivative financial assets	5,108	4,044	1,064	4,026	4,026	0
Prepaid expenses	7,925	950	6,975	5,088	213	4,875
	87,501	**5,343**	**82,158**	**78,934**	**7,633**	**71,301**

Other assets due from third parties consist chiefly of insurance claims, government grants that have been approved but not yet received, compensation for damages and prepayments on expenses. Disputed receivables of TEUR 6,206 (30.4.2018: TEUR 5,995) were written off in full.

Information on derivative financial instruments is provided under note 4.1.

(6) Inventories

	30.04.2019 TEUR	30.04.2018 TEUR
Raw materials and supplies	208,891	187,360
Semi-finished goods	19,771	21,288
Finished goods and merchandise	191,159	176,555
	419,821	**385,203**

Write-downs of TEUR 9,690 were recorded to inventories during the reporting year (30.4.2018: TEUR 7,634). The impairment losses recognized to inventories consist primarily of reductions based on age and quality as well as write-downs to the net realizable value.

Of the total inventories, TEUR 8,478 (30.4.2018: TEUR 3,892) are carried at net realizable (proceeds on sale less sales deductions and any future production or selling costs).

(7) Trade receivables

Trade receivables	30.04.2019 TEUR	30.04.2018 TEUR
Due from third parties	95,694	91,810
Due from subsidiaries	87	1,702
Due from associates	142	173
	95,923	**93,684**

Development of the impairment allowance for trade receivables carried at amortized cost:

	30.04.2019 TEUR	30.04.2018 TEUR
Impairment allowance as of May 1 under IAS 39	4,280	9,026
Adjustment based on the initial application of IFRS 9	25	0
Impairment allowance as of May 1 under IFRS 9	4,305	9,026
Addition	2,033	1,389
Write-off	−1,868	−6,057
Foreign exchange increase/decrease	11	−78
Impairment allowance as of April 30	**4,482**	**4,280**

The above impairment allowances include discount adjustments of TEUR 1,068 (30.4.2018: TEUR 892).

The impairment allowances for trade receivables were based on the expected lifetime credit losses. Of this total, TEUR 32 (1.5.2018: TEUR 25) are classified under “expected lifetime credit loss, credit standing not impaired”. Individual impairment allowances of TEUR 3,383 (1.5.2018: TEUR 3,388) were also recognized. There were no reclassifications between the individual levels on the impairment hierarchy during the reporting year.

The following table shows the age structure of trade receivables that are overdue, but not impaired.

	30.04.2019 TEUR	30.04.2018 TEUR
Up to 30 days	5,918	4,109
From 31 to 75 days	717	1,130
Over 75 days	1,455	1,453
	8,090	**6,692**

EGGER concluded long-term, binding factoring agreements with two credit institutions in 2015 and 2016, each of which has a term of five years. The EGGER Group is entitled to sell receivables denominated in its key currencies from selected Austrian, German, English, French, Polish and Romanian subsidiaries with a total value of up to EUR 325 million during the terms of these agreements. The trade receivables from the factoring portfolio which were not sold amounted to TEUR 30,397 and are carried at fair value in other comprehensive income (FVOCI) in accordance with IFRS 9.

Trade receivables totaling TEUR 234,549 were sold as of April 30, 2019 (30.4.2018: TEUR 231,912). In this connection TEUR 4,466 (30.4.2018: TEUR 5,167) are reported under other assets, excluding any advance payments by the factoring partners. The volume of receivables sold during the year can differ from the amount reported as of the balance sheet date. The balance of financial liabilities changes based on the amount of trade receivables sold.

In accordance with IFRS 9, trade receivables are no longer recognized when the right to receive cash flows and, in principle, all risks and rewards are transferred to the buyer.

The maximum risk of loss for the EGGER Group from the receivables sold and derecognized as of April 30, 2019 equals TEUR 37,937 (30.4.2018: TEUR 40,487). This amount includes a reduction for the deductible on the insured transferred receivables as well as the risk associated with the uninsured transferred receivables.

An amount of TEUR 398 was recognized under other liabilities as of April 30, 2019 (30.4.2018: TEUR 421) to reflect the actual risk arising from receivables default (fair value, Level 3). This residual liability was based on the maximum risk of loss and the probability of default as indicated by experience.

The EGGER Group recognized interest expense and fees of TEUR 2,194 from its factoring activities in 2018/19 (2017/18: TEUR 2,440).

In addition, checks totaling TEUR 5,922 from Roma Plastik Sanayi ve Ticaret A.S, Gebze, were sold as of April 30, 2019 (30.4.2018: TEUR 9,711). These checks were derecognized as of the sale date because the transaction transferred all major risks and rewards to the buyer.

(8) Cash and cash equivalents

	30.04.2019 TEUR	30.04.2018 TEUR
Cash on hand	62	72
Short-term investments (fixed term)	13,280	1,258
Deposits with credit institutions	431,193	210,674
	444,534	**212,004**

(9) Share capital, reserves and perpetual bond

The primary objectives of **capital management** are to safeguard the continued existence of the company, to finance growth and to ensure an appropriate return on equity. In this connection, the most important indicators are the debt repayment period (net debt / EBITDA) and the equity ratio (equity / balance sheet total). Net debt comprises the total of financial liabilities and bonds less cash and cash equivalents. EGGER defines equity as equity recorded on the balance sheet, including government grants. Internal requirements for the above indicators require a net debt / EBITDA ratio of less than 3.0 and an equity ratio of at least 30 % (each at the Group level). The minimum financing indicators defined by a number of credit agreements were met during the entire reporting year.

The **share capital** of Egger Holzwerkstoffe GmbH totals TEUR 11,509 and remains unchanged in comparison with the previous year.

In March 2018 Egger Holzwerkstoffe GmbH issued a **perpetual bond** (hybrid bond) with a total nominal value of EUR 150 million (transaction costs: TEUR 2,180). This bond is reported as equity in accordance with IFRS; it has an unlimited term and a fixed coupon of 4.875 % for the first five years. If the bond is not called after the first five years, a new interest rate will be set at five-year intervals (five-year swap plus 500bps step-up). The put rights of bondholders were excluded.

The deductible interest payments are due on March 12 of each year. The issuer is entitled to postpone the interest payments under certain circumstances which are defined in the bond terms. Interest is not payable on postponed interest payments, but the issuer is required to make these interest payments (plus any interest arrears) when:

- interest, other distributions or payments (including a repayment or repurchase) on subordinated securities, equally ranked securities or loans granted by shareholders of the issuer (regardless of the rank) were approved or paid within 12 months prior to the interest payment date, or loans were granted to shareholders, or the interest payable on such loans was deferred or waived during this same time; or
- the perpetual bond is redeemed; or
- the issuer enters liquidation proceedings and is terminated or dissolved.

(10) Foreign exchange translation

The position “foreign exchange increase/decrease” includes all exchange rate differences resulting from the translation of subsidiaries’ annual financial statements that were prepared in foreign currencies.

Unrealized foreign exchange differences of TEUR –84,094 (30.4.2018: TEUR –76,321) from long-term shareholder loans (net investments) were recorded to the translation reserve under equity without recognition through profit or loss.

(11) Non-controlling interests

The reported non-controlling interests of TEUR 40,718 (30.4.2018: TEUR 37,580) are attributable entirely to EGGER private foundations.

(12) Bonds and financial liabilities

Bonds	Nominal value TEUR	Total term	Remaining term	Nominal interest rate in %	Effective interest rate in %	Fixed/ variable	Carrying amount 30.04.2019 TEUR	Carrying amount 30.04.2018 TEUR
Bond 2012 – 2019	150,000	7 years	6 monate	4.500 %	4.530 %	fix	150,981	153,242
Accrued interest							359	358
Total							**151,340**	**153,600**

In October 2012 Egger Holzwerkstoffe GmbH issued a 4.50 % fixed coupon bond with a volume of EUR 150 million. The bond has a seven-year term ending in October 2019. Interest payments are due each year October. The fair value of the bond totals TEUR 153,270 (30.4.2018: TEUR 159,210, Level 1).

Financial liabilities 2019	Total 30.04.2019 TEUR	Thereof remaining term over 5 years TEUR	Thereof remaining term 1 to 5 years TEUR	Thereof remaining term under 1 year TEUR
Financial liabilities owed to credit institutions				
Bank loans	601,076	249,426	287,697	63,954
Accrued interest	542	0	0	542
	601,618	**249,426**	**287,697**	**64,496**
Promissory note loans				
Promissory note loans	640,458	275,860	347,098	17,500
Accrued interest	1,857	0	0	1,857
	642,315	**275,860**	**347,098**	**19,357**
Other financial liabilities				
Finance leases	2,209	0	1,832	377
Cash pooling liabilities / settlement liabilities due to subsidiaries	88	0	0	88
	2,297	**0**	**1,832**	**465**
Total	**1,246,230**	**525,286**	**636,627**	**84,318**

Financial liabilities 2018	Total 30.04.2018 TEUR	Thereof remaining term over 5 years TEUR	Thereof remaining term 1 to 5 years TEUR	Thereof remaining term under 1 year TEUR
Financial liabilities owed to credit institutions				
Bank loans	490,079	149,637	250,407	90,035
Accrued interest	725	0	0	725
	490,804	**149,637**	**250,407**	**90,760**
Promissory note loans				
Promissory note loans	337,239	204,949	132,291	0
Accrued interest	1,450	0	0	1,450
	338,689	**204,949**	**132,291**	**1,450**
Other financial liabilities				
Finance leases	7,176	2,386	4,037	752
Cash pooling liabilities / settlement liabilities due to subsidiaries	84	0	0	84
	7,260	**2,386**	**4,037**	**836**
Total	**836,753**	**356,972**	**386,735**	**93,046**

All bank loans and promissory note loans were concluded in Euros.

In October 2018 EGGER concluded a syndicated financing agreement with a circle of its core banks. This financing has a volume of EUR 200 million, a variable interest rate and a term ending on June 30, 2027. In March 2019 Egger Holzwerkstoffe GmbH placed its third promissory note loan in various fixed and variable EUR-tranches (5, 7, 8 and 10 years) with a total volume of EUR 375 million. The variable tranches of the promissory note loan 2016 were repaid in part prematurely in April 2019 (for a total of EUR 76.5 million). The committed credit line was also drawn and repaid during the reporting year.

No collateral was provided for financial liabilities during the reporting year or prior year.

The key conditions of liabilities owed to credit institutions are listed below:

Type of financing	Carrying amount 30.04.2019 TEUR	Fair value 30.04.2019 TEUR	Effective interest rate 2018/2019 in %	Interest rate fixed/variable
Bank loans	151,693	153,926	2.14 %	fix
Bank loans	449,383	449,383	0.81 %	variable
Total Bank loans	**601,076**	**603,309**		
Promissory note loans	409,945	424,388	1.48 %	fix
Promissory note loans	230,513	230,513	1.15 %	variable
Total Promissory note loans	**640,458**	**654,901**		

Finance lease liabilities comprise the following:

	Total 30.04.2019 TEUR	Thereof remaining term over 5 years TEUR	Thereof remaining term 1 to 5 years TEUR	Thereof remaining term under 1 year TEUR
Present value	2,209	0	1,832	377
Interest	245	0	164	81
Payment amount	**2,454**	**0**	**1,996**	**458**

The following table reconciles the changes in bonds and financial liabilities to cash flows from financing activities.

	Bonds TEUR	Bank loans TEUR	Promissory note loans TEUR	Finance leases TEUR	Pool, settlement funds TEUR	Total TEUR
Balance as of 30.4.2017	**357,010**	**204,104**	**374,170**	**2,941**	**93**	**938,318**
Cash inflows (increase)	0	324,310	0	0	84	324,394
Repayments	−200,000	−37,469	−35,000	−662	−93	−273,224
Other non-cash changes	−3,410	−142	−480	4,890	0	857
Changes in the scope of consolidation	0	0	0	8	0	8
Balance as of 30.4.2018	**153,600**	**490,804**	**338,689**	**7,176**	**84**	**990,352**
Cash inflows (increase)	0	399,787	374,116	0	88	773,991
Repayments	0	−290,035	−76,500	−467	−84	−367,086
Other non-cash changes	−2,260	1,063	6,010	−4,849	0	−37
Foreign exchange increase/decrease	0	0	0	351	0	351
Balance as of 30.4.2019	**151,340**	**601,618**	**642,315**	**2,209**	**88**	**1,397,570**

(13) Other liabilities

Other liabilities 2019	Total 30.04.2019 TEUR	Thereof remaining term over 5 years TEUR	Thereof remaining term 1 to 5 years TEUR	Thereof remaining term under 1 year TEUR
Other liabilities				
Due to third parties	6,505	11	1	6,493
Due to employees	47,974	0	0	47,974
Commissions to sales representatives	577	0	0	577
Outstanding customer bonuses (contract liabilities)	29,692	0	0	29,692
Advance payments from customers (contract liabilities)	4,018	0	0	4,018
Taxes (non-income based taxes)	25,422	0	0	25,422
Social security	10,499	0	0	10,499
Deferred income	372	0	124	248
Total	**125,059**	**11**	**125**	**124,923**

Other liabilities 2018	Total 30.04.2018 TEUR	Thereof remaining term over 5 years TEUR	Thereof remaining term 1 to 5 years TEUR	Thereof remaining term under 1 year TEUR
Other liabilities				
Due to third parties	7,467	15	0	7,452
Due to employees	46,978	0	0	46,978
Outstanding customer bonuses	27,535	0	0	27,535
Due to subsidiaries	56	0	0	56
Due to associates	5	0	0	5
Taxes (non-income based taxes)	21,973	0	0	21,973
Social security	10,582	0	0	10,582
Derivative financial instruments (liabilities)	2,978	2,374	604	0
Deferred income	715	0	311	404
Total	**118,289**	**2,389**	**915**	**114,985**

The following table shows the development of the contractual liabilities from outstanding customer bonuses and advance payments from customers:

	30.04.2019 TEUR
Contractual liabilities as of 1.5.2018 following reclassification based on IFRS 15	30,195
Recognized as revenue in the income statement	−29,941
Addition	33,710
Foreign exchange increase/decrease	−255
Contractual liabilities as of April 30	**33,710**

Information on derivative financial liabilities is provided under note 4.1.

(14) Government grants

Investment subsidies totaling TEUR 200 were granted to EGGER in 2018/19 (2017/18: TEUR 13).

These government grants are released to profit or loss over the useful life of the respective item of property, plant and equipment.

(15) Non-current provisions

Non-current provisions	Balance on 01.05.2018 TEUR	Foreign exchange incr./decr. TEUR	Additions TEUR	Use TEUR	Reversal TEUR	Balance on 30.04.2019 TEUR
Provisions for termination benefits	34,420	0	6,947	−1,243	0	40,123
Provisions for pensions	32,115	442	12,916	−5,956	0	39,517
Provisions for long-service bonuses	80,090	−1,262	15,985	−3,099	−384	91,329
Provisions for semi-retirement programs for older employees	73	0	674	−133	0	614
Other non-current provisions	12,454	27	382	−4,508	0	8,355
	159,153	**−793**	**36,903**	**−14,939**	**−384**	**179,940**

The calculation of the termination benefit and pension obligations is based on the following **actuarial assumptions**:

	30.04.2019	30.04.2018
Discount rate	1.64 – 2.55 %	2.10 – 2.70 %
Increase in wages/salaries	2.55 %	2.43 %
Increase in pensions	2.22 %	2.12 %
Retirement age	Based on legal regulations	Based on legal regulations
Biometric calculation base: Austria Great Britain	AVÖ 2018-P 115 % SAPS tables CMI_2018 1.25 %	AVÖ 2008-P 135 % SAPS tables CMI_2017 1.25 %

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Sensitivity analyses

The most important actuarial assumptions involve the discount rate and the future increase in wages/salaries and pensions. The following sensitivity analyses show the effects of changes in the actuarial assumptions. The simulation procedure involves changing one assumption at a time while holding the other variables constant.

Sensitivity analysis	Change in assumption	Change in obligation Increase 30.04.2019 TEUR	Change in obligation Decrease 30.04.2019 TEUR	Change in obligation Increase 30.04.2018 TEUR	Change in obligation Decrease 30.04.2018 TEUR
Termination benefits					
Discount rate	+/−1%	7,112	5,715	5,213	4,309
Increase in wages/salaries	+/−1%	6,532	5,470	5,108	4,313
Pension benefits (fund-financed)					
Discount rate	+/−1%	13,809	13,345	13,464	12,226
Increase in wages/salaries	+/−1%	4,188	4,021	4,042	3,918
Increase in pensions	+/−1%	727	727	568	568

Provisions for termination benefits	30.04.2019 TEUR	30.04.2018 TEUR
Present value (DBO) of obligation = provision recognized as of May 1	34,420	36,155
Service cost	957	1,056
Interest expense	717	630
Recognized to profit or loss (income statement)	**1,674**	**1,686**
Revaluation based on change in financial assumptions	2,792	−1,555
Revaluation based on change demographic assumptions	2,350	0
Revaluation based on change in experience-based assumptions	130	−661
Recognized to other comprehensive income	**5,272**	**−2,216**
Termination payments	−1,243	−1,205
Present value (DBO) of obligation = provision recognized as of April 30	**40,123**	**34,420**

The obligation to pay termination benefits exposes EGGER to actuarial risks, e.g. interest rate and salary/wage risks. The estimated payments for these benefits on termination by the company or retirement at the standard age total TEUR 382 for 2019/20. The termination benefit obligations have a weighted average term of 15 years (30.4.2018: 16 years).

Provisions for pensions

One Austrian subsidiary has a defined benefit pension that guarantees eligible employees retirement benefits for life. The circle of beneficiaries, which is now closed, earns 1.5 % of the last salary as a pension claim for each year of service with the company, up to a maximum of 40 % of the last salary or a maximum of 80 % of the last salary plus legal retirement benefits. VBV-Pensionskasse Aktiengesellschaft manages the contributed assets and secures the future pension payments. The employer's monthly contributions are based on the amount that would allow payment of the promised benefits. This calculation includes an annual increase of 3 % in wages/salaries, but not an inflation-related increase in pensions. Insufficient coverage for the plan can lead to subsequent contributions by the company. When the employees retire, the capital accumulated in the pension fund is converted to a lifelong pension and the employer's obligations end.

VBV-Pensionskasse Aktiengesellschaft is a legally independent pension fund which is subject to the provisions of the Austrian Pension Fund Act. Decisions on the investment strategy are made by an investment committee in which EGGER is represented. This pension plan exposes EGGER to actuarial risks, e.g. interest rate, investment, salary and longevity risk.

The English subsidiaries have a defined benefit pension plan that guarantees retirement benefits to the eligible employees for life. The circle of beneficiaries, which was closed in 2002, earned 1/80, respectively 1/60 of the last salary as a pension claim for each year of service with the company. The employer's monthly contributions to the EGGER (UK) Pension Scheme are based on the amount that would allow payment of the promised benefits. This calculation includes an inflation-based increase in pension payments. Insufficient coverage for the plan leads to subsequent contributions by the company.

The EGGER (UK) Pension Scheme is managed by the pension plan's trustees. The investment strategy is defined by a committee of eligible employees. This pension plan exposes EGGER to actuarial risks, e.g. interest rate, investment, longevity and inflation risk.

Reconciliation with the provisions recorded on the balance sheet	30.04.2019 TEUR	30.04.2018 TEUR
Present value (DBO) of the fund-financed obligation	81,826	77,921
Fair value of plan assets	−49,006	−51,068
Net liability of the fund-financed obligations	32,820	26,853
Present value (DBO) of the obligation not covered by fund assets	6,697	5,263
Provisions recognized as of April 30	**39,517**	**32,115**

Of the fund-financed obligations, TEUR 5,719 (30.4.2018: TEUR 4,587) are attributable to the pension plan with VBV-Pensionskasse Aktiengesellschaft, Vienna, and TEUR 27,102 (30.4.2018: TEUR 22,266) to the EGGER (UK) Pension Scheme.

Development of the present value (DBO) of the obligation	**30.04.2019 TEUR**	**30.04.2018 TEUR**
Present value (DBO) of the obligation as of May 1	83,184	94,695
Service cost	593	606
Subsequent service cost	1,198	−2,837
Interest expense	2,081	2,189
Recognized to profit or loss (income statement)	**3,872**	**−42**
Revaluation based on change in financial assumptions	3,667	−1,541
Revaluation based on change demographic assumptions	2,434	−575
Revaluation based on change in experience-based assumptions	338	−218
Recognized to other comprehensive income	**6,439**	**– 2,334**
Pension payments	−6,319	−6,056
Currency translation differences	1,349	−3,079
Present value (DBO) of the obligation as of April 30	**88,523**	**83,184**

Development of the fair value of plan assets	**30.04.2019 TEUR**	**30.04.2018 TEUR**
Fair value of plan assets as of May 1	51,068	54,774
Theoretical interest income	1,283	1,285
Difference between the actual income on plan assets and the theoretical interest income recognized in other comprehensive income	−492	612
Fund contributions	2,248	2,127
Pension payments by the fund	−5,993	−5,828
Currency translation differences	891	−1,902
Fair value of plan assets as of April 30	**49,006**	**51,068**

Composition of plan assets	**Listed 30.04.2019 TEUR**	**Not listed 30.04.2019 TEUR**	**Listed 30.04.2018 TEUR**	**Not listet 30.04.2018 TEUR**
Equity instruments:				
Europe	10,810	0	12,089	0
North America	4,552	0	3,787	0
Asia and Pacific	1,996	0	2,904	0
Other	7,360	0	6,650	0
Fixed-interest securities:				
Government bonds	2,908	196	2,654	199
Corporate bonds	18,998	0	21,622	0
Cash and cash equivalents	1,330	0	530	0
Other	176	680	90	545
Total	**49,006**		**51,068**	

The estimated fund contributions for the fund-financed pension obligations in 2019/20 total TEUR 2,449.

The pension obligations have a weighted average term of seven years (VBV-Pensionskasse Aktiengesellschaft, 30.4.2018: eight years), respectively 17 years (EGGER (UK) Pension Scheme, 30.4.2018: 17 years).

The pension liability in the UK includes TEUR 20,264 (30.4.2017: TEUR 19,869) which is secured by collateral. This collateral consists of land and buildings owned by EGGER (UK) Limited.

Provisions for long-service bonuses	**30.04.2019 TEUR**	**30.04.2018 TEUR**
Present value (DBO) of the obligation = provisions recognized as of May 1	80,090	20,343
Service cost	6,244	57,700
Interest expense	2,139	455
Revaluation based on change in financial assumptions	4,850	2,113
Revaluation based on change demographic assumptions	3,476	−249
Revaluation based on change in experience-based assumptions	−881	1,446
Recognized to profit or loss (income statement)	**15,828**	**61,465**
Long-service bonuses or payments for semi-retirement programs	−3,113	−1,345
Reclassification of provision for semi-retirement programs for older employees	0	−39
Currency translation differences	−1,475	−334
Present value (DBO) of the obligation = provisions recognized as of April 30	**91,329**	**80,090**

The line item “service cost” for 2017/18 includes TEUR 55,998 from the introduction of the new standardized long-service bonus for member companies of the EGGER Group.

A provision was created for **agreements covering semi-retirement programs** for older employees. As security for this obligation, time deposits totaling TEUR 877 (30.4.2018: TEUR 64) were transferred to CommerzTrust GmbH. The coverage assets were netted out with the obligation.

Other non-current provisions

The German Federal Cartel Office carried out searches in the plants of all major chipboard producers headquartered in Germany during March 2009. These investigations were based on the suspicion of anti-competitive agreements and also covered EGGER's activities in that country. In 2010 penalty notices were issued to various major chipboard producers headquartered in Germany. The process steps in these proceedings resulted in a penalty exemption for EGGER and, consequently, EGGER did not receive a penalty notice.

The anti-trust administrative proceedings by the Federal Cartel Office resulted in private anti-trust actions against chipboard producers, in part also against EGGER. In connection with lawsuits and claims for damage compensation against other cartel participants, recourse claims against EGGER within the framework of joint and several compensation are conceivable. The outcome of these proceedings and the possible effects cannot be conclusively estimated at the present time. Provisions of TEUR 6,800 were recognized for these private anti-trust actions, incl. interest claims and procedural costs, as of April 30, 2019 (30.4.2018: TEUR 11,000).

It should be noted that anti-trust agreements are not part of EGGER's business policies and are expressly prohibited by internal guidelines.

In addition, a provision of TEUR 1,391 was recognized for a possible penalty in connection with a fatal work accident (30.4.2018: TEUR 1,364).

(16) Income taxes

Income taxes comprise the following:

	2018/2019 TEUR	2017/2018 TEUR
Income taxes paid	50,822	45,857
Deferred taxes	−48,886	−41,414
	1,936	**4,443**

Temporary differences between the carrying amounts in the IFRS financial statements and the respective tax bases have the following effect on deferred taxes as shown on the balance sheet:

	Deferred tax assets 30.04.2019 TEUR	Deferred tax liabilities 30.04.2019 TEUR	Deferred tax assets 30.04.2018 TEUR	Deferred tax liabilities 30.04.2018 TEUR
Property, plant and equipment	18,320	28,488	14,046	30,795
Intangible assets	3,503	2,922	1,648	7,230
Financial assets	63,775	84	37,676	88
Other assets	156	1,011	214	1,006
Financial liabilities	1,484	0	1,577	745
Provisions	27,101	68	21,713	83
Other liabilities	1,432	0	1,579	130
Equity (perpetual bond)	422	0	531	0
Special depreciation for tax purposes	0	1,630	3	1,961
Tax loss carryforwards	32,755	0	27,533	0
Non-current deferred taxes (subtotal)	**148,948**	**34,203**	**106,520**	**42,038**
Inventories	2,883	1,429	2,595	1,329
Trade receivables	235	585	764	413
Other assets	160	449	167	105
Securities and financial assets	316	57	5	61
Financial liabilities	387	0	121	0
Trade payables	91	0	122	1
Other liabilities	1,960	2	2,053	95
Provisions	56	0	65	0
Current deferred taxes (subtotal)	**6,088**	**2,522**	**5,892**	**2,004**
Deferred tax assets/liabilities (gross)	**155,036**	**36,725**	**112,412**	**44,042**
Impairment charges	−8,860	0	−14,470	0
Offset within legal tax units and jurisdictions	−31,597	−31,597	−27,924	−27,924
Deferred taxes (net)	**114,579**	**5,128**	**70,018**	**16,119**

Transition to deferred income tax expense	TEUR	TEUR	TEUR
Deferred tax assets as of 30.4.2018	70,018		
Deferred tax liabilities as 30.4.2018	−16,119	53,899	
Deferred tax assets as of 30.4.2019	114,579		
Deferred tax liabilities as 30.4.2019	−5,128	109,451	
Change in deferred taxes during 2018/19			**−55,552**
Currency translation difference			3,974
Adjustment from the initial application of IFRS 9			8
Changes recognized directly in equity and in other comprehensive income			2,684
Deferred income tax expense			**−48,886**

Deferred tax liabilities were not recognized on taxable temporary differences of TEUR 1,042,453 (30.4.2018: TEUR 720,283) arising from shares in subsidiaries because Egger Holzwerkstoffe GmbH, as the parent company, is able to influence the timing for the reversal of these temporary differences. The calculation involved a comparison of the carrying amount of the investment for tax purposes with the net assets from the IFRS separate financial statements.

Deferred tax liabilities were not calculated for the retained earnings of foreign subsidiaries. However, a distribution of profit from a foreign subsidiary would result in foreign withholding tax of up to TEUR 1,941 (30.4.2018: TEUR 1,921) based on withholding tax at a rate of 5 %.

Deferred taxes are capitalized on loss carryforwards when it is probable that sufficient taxable profit will be available to utilize the loss carryforward. If sufficient deferred tax liabilities are not available, deferred taxes are only capitalized for loss carryforwards that can be offset against taxable income within the next five years. The underlying tax planning includes any limitations on the offset of losses under minimum tax requirements in the individual countries as well as the time limits on the use of loss carryforwards in Romania (seven years) and Poland (five years). Tax regulations in other countries do not place time limits on the use of loss carryforwards by the remaining Group companies.

Profits generated by Egger Biskupiec sp. z o.o., Poland, are tax-free up to 2026 (tax holiday based on business establishment in a special economic zone), but potential losses cannot be carried forward. The tax exemption is linked to requirements that include jobs and investment costs, all of which will be met from the current point of view.

Deferred tax assets of TEUR 8,860 (30.4.2018: TEUR 14,470) on tax losses arising from the valuation of investments were not capitalized because the related amounts are immaterial.

Net deferred tax assets were capitalized for the following companies that reported a pre-tax loss in the reporting year or previous year: TEUR 16,784 (30.4.2018: TEUR 15,263) for OOO Egger Drevprodukt Gagarin in Russia, TEUR 5,499 (30.4.2018: TEUR 0) for Egger Argentina SAU in South America and TEUR 1,746 (30.4.2018: TEUR 0) for Egger Wood Products LLC in North America.

Projections by the International Monetary Fund for Russia point to real GDP growth of +1.6 % in 2019 and +1.6 % to +1.7 % in each of the following five years. EGGER should therefore be able to raise its selling prices from the current low level above the inflation rate, which will improve margins and lead to an improvement in earnings. The development of earnings will also be positively influenced by the ongoing cost and process optimization measures. In addition, interest expense will be reduced in the future following the conversion of financing from debt to a higher equity base in 2018/19.

For Argentina, the International Monetary Fund is forecasting a trend reversal beginning in 2020. Real GDP is expected to be negative at −1.2 % in 2019, but improve to +2.2 % in 2020 and between +3.2 % to +3.6 % in the following years. This recovery should lead to the stabilization of current foreign exchange losses and high inflation, which will support a gradual improvement in margins. Plans also include an increase in export transactions to the USA in order to generate higher USD revenues.

The current development and start-up losses caused by the new plant construction in the USA will be gradually offset by earnings surpluses following the start of production towards the end of 2020. The International Monetary Fund indicates that growth rates in the USA should remain very stable at +1.6 % to +1.9 % from 2020 to 2024, which will support the scheduled start of production at the EGGER plant.

Tax planning is based on the EBITDA values from the medium-term forecasts for the individual subsidiaries. A reduction of 10 % in EBITDA would lead to an adjustment of TEUR 241 to the deferred tax assets recognized for loss carryforwards in OOO Egger Drevprodukt Gagarin, Russia, in 2018/19 (30.4.2018: TEUR 289 for OOO “Egger Drevprodukt Shuya”).

The difference between the expected tax liability and income tax expense as shown on the income statement is attributable to the following factors:

	2018/2019		2017/2018	
	TEUR	%	TEUR	%
Profit before tax	156,685	–	168,993	–
Thereof income tax at a rate of 25%	39,171	25.0%	42,248	25.0%
Decrease / increase in taxes due to				
Other tax rates	−5,006	−3.2%	−3,033	−1.8%
Tax expense and income from prior periods	35	0.0%	−633	−0.4%
Changes in tax rates	−153	−0.1%	−3,195	−1.9%
Non-deductible expenses	2,288	1.5%	3,381	2.0%
Tax holiday	−33	0.0%	214	0.1%
Non-deductible impairment charges / IAS 29 revaluation of goodwill	11,573	7.4%	−2,428	−1.4%
Amortization of goodwill for tax purposes	−3,183	−2.0%	−3,183	−1.9%
Partial depreciation for tax purposes	−42,031	−26.8%	−29,263	−17.3%
Tax-deductible interest on risk capital	0	0.0%	−60	0.0%
Tax-free income	−1,839	−1.2%	−1,377	−0.8%
Other	1,114	0.7%	1,772	1.0%
Effective tax expense	**1,936**	**1.2%**	**4,443**	**2.6%**

(17) Trade payables

	30.04.2019 TEUR	30.04.2018 TEUR
Due to third parties	252,670	237,439
Due to subsidiaries	503	182
Due to associates	148	143
From prepayments received on orders	0	2,661
	253,321	**240,425**

(18) Current provisions

	Balance on 01.05.2018 TEUR	Foreign exchange incr./decr. TEUR	Additions TEUR	Reclassification TEUR	Use TEUR	Reversal TEUR	Balance on 30.04.2019 TEUR
Provisions for legal proceedings and legal costs	242	0	732	389	−15	−99	1,248
Other current provisions	774	−113	226	−389	−261	0	238
	1,016	**−113**	**958**	**0**	**−276**	**−99**	**1,486**

(19) Revenues and segment reporting

Segment reporting is based on the management reports which are regularly used by key decision-makers to evaluate the earning power of the individual segments and to allocate resources. In the EGGER Group, group management serves as the key decision-maker.

The EGGER Group changed its internal management to reflect the growth strategy in the decorative business because a separation by region makes sense for the development of the local markets. This led to changes in segment reporting and the adjustment of the comparative prior year data.

Segment reporting is now based on the following areas of business: Decorative Products Central, West and East as well as Flooring Products and Other.

The individual segments manufacture and sell the following products:

Segments	
Decorative Products Central	Production and sale of carrier materials made of wood (chipboard, MDF, HDF, OSB, compact and lightweight boards) as well as edgings and laminates.
Decorative Products West	
Decorative Products East	
Flooring Products	Production and sale of laminates, comfort and design flooring as well as OSB boards.
Other	Group functions, financing companies, holding companies, production and sale of sawn timber, wood materials in Argentina and plant construction in the USA.

The same accounting principles described under the section “Significant Accounting Policies” apply to the above segments. Assets and liabilities as well as income and expenses were allocated to the individual segments.

The provision of goods and services between the individual segments generally reflects third party conditions and is regulated by a Group-wide transfer pricing guideline.

Segment information by area of business 2018/2019 Financial Year	Decorative Products Central TEUR	Decorative Products West TEUR	Decorative Products East TEUR	Flooring Products TEUR	Other TEUR	Consoli-dation TEUR	Total TEUR
Third party revenues	741,957	704,565	769,430	391,920	233,667	0	2,841,539
Inter-company revenues	120,454	9,461	68,271	55,068	80,035	−333,290	0
	862,411	**714,026**	**837,701**	**446,989**	**313,702**	**−333,290**	**2,841,539**
Segment results (operating EBITDA)	149,362	114,423	158,142	32,053	−29,006	0	424,974
Scheduled depr./amort.	50,626	42,406	64,264	16,607	17,681	0	191,583
Impairment	0	0	0	0	90,283	0	90,283
Operating profit						0	168,714
Financing costs							−17,867
Other financial results							−344
Income from financial investments							6,015
Income from associates							166
Income taxes							−1,936
Profit after tax							154,748
Segment assets	840,940	512,021	1,400,520	251,258	1,484,012	−1,347,421	3,141,330
Segment liabilities	380,411	319,490	262,100	190,739	2,187,344	−1,345,452	1,994,632
Investments	68,427	39,845	237,593	29,254	113,983	0	489,102

Note: Inter-segment transactions relating to assets and liabilities are consolidated in the column “consolidation”.

Segment information by area of business 2017/2018 Financial Year	Decorative Products Central TEUR	Decorative Products West TEUR	Decorative Products East TEUR	Flooring Products TEUR	Other TEUR	Consoli-dation TEUR	Total TEUR
Third party revenues	734,189	648,655	753,369	375,557	178,339	0	2,690,109
Inter-company revenues	110,523	9,169	67,389	50,231	73,080	−310,392	0
	844,712	**657,824**	**820,759**	**425,787**	**251,419**	**−310,392**	**2,690,109**
Segment results (operating EBITDA)	161,669	115,265	168,184	27,119	−26,461	0	445,776
Scheduled depr./amort.	45,709	42,496	75,658	14,861	20,675	0	199,399
Impairment of goodwill							208,674
Operating profit							−31,772
Financing costs							−10,687
Other financial results							488
Income from financial investments							2,291
Income from associates							−4,443
Income taxes							164,549
Segment assets	818,827	461,255	1,083,457	274,027	1,025,387	−1,022,290	2,640,663
Segment liabilities	341,162	302,230	316,449	205,283	1,426,916	−1,017,832	1,574,208
Investments	63,268	52,694	188,528	26,784	152,530	0	483,804

Note: Inter-segment transactions relating to assets and liabilities are consolidated in the column “consolidation”.

Segment information by region

The regional segmentation is based on the classification of revenues by the customer's location.

	2018/2019 TEUR	2017/2018 TEUR
Austria	92,639	87,914
Western Europe	1,579,882	1,502,441
Central and Eastern Europe plus Russia	839,323	793,416
South America	116,104	89,688
Other countries	213,592	216,650
Total	**2,841,539**	**2,690,109**

There are no relationships with individual customers that can be classified as material based on the respective share of Group revenues.

The non-current assets (property, plant and equipment, intangible assets and investment property) in the Austrian locations total TEUR 234,420 (30.4.2018: TEUR 239,601).

(20) Other operating income

	2018/2019 TEUR	2017/2018 TEUR
Income from investment property	129	128
Change in the fair value of biological assets	1,300	248
Gains on the sale of property, plant and equipment	2,639	1,156
Income from subsidies, allowances and emission certificates	6,176	3,250
Use of government grants	1,962	2,192
Income from revaluation based on hyperinflation in Argentina	25,606	18,295
Other operating income	16,600	17,610
	54,410	**42,880**

Other operating income consists primarily of reimbursements for damages, income from recycling, expenses charged out, compensation for damages and rental income.

(21) Cost of materials and services

	2018/2019 TEUR	2017/2018 TEUR
Cost of materials	1,528,614	1,433,752
Cost of services	10,180	10,562
	1,538,793	**1,444,314**

(22) Personnel expenses

	2018/2019 TEUR	2017/2018 TEUR
Wages	199,422	203,807
Salaries	166,357	179,529
Expenses for pensions	4,520	352
Expenses for termination payments and contributions to external employee pension funds	1,807	2,007
Payroll-related taxes and duties	76,534	72,809
Other employee benefits	10,343	8,950
	458,983	**467,455**

Personnel expenses for 2017/18 include TEUR 55,998 resulting from the introduction of a new standardized, committed long-service bonus for the employees of the Group companies.

Average number of employees	2018/2019	2017/2018
Production and logistics	7,936	7,314
Sales and administration	1,545	1,451
	9,481	**8,765**

Part-time employees are included in the above statistics based on the time worked.

(23) Other operating expenses

	2018/2019 TEUR	2017/2018 TEUR
Freight and logistics	213,167	204,625
Temporary personnel	38,549	37,832
Maintenance and repairs	69,180	58,331
Legal and consulting fees	20,655	22,098
Miscellaneous taxes	17,774	15,743
Advertising	14,490	15,660
Lease and rental fees	13,628	11,789
Insurance	8,250	9,327
Losses on the disposal of non-current assets	2,510	3,556
Expenses arising from investment property	1,044	92
Miscellaneous operating expenses	77,035	66,813
	476,283	**445,866**

Miscellaneous operating expenses consist primarily of waste disposal costs, travel expenses, operating costs for the motor vehicle pool, telephone and license fees, selling expenses and impairment losses to trade receivables and other assets.

(24) Financing costs and other financial results

	2018/2019 TEUR	2017/2018 TEUR
Interest expense from financing	10,185	25,947
Interest expense from provisions for employee benefits	3,654	1,988
Interest expense from the discounting/compounding of receivables, liabilities and provisions	52	143
Total interest expense	**13,891**	**28,078**
Other financing costs	3,976	3,694
Financing costs	**17,867**	**31,772**
Interest income	−1,011	−1,221
Currency translation gains/losses from financing	1,355	11,908
Other financial results	**344**	**10,687**
	18,210	**42,460**

Other financing costs consist primarily of commitment fees, fees for bills of exchange, interest expense on subsequent tax payments, discounts and guarantee and liability fees.

With the exception of financial derivatives, the above income and expenses are attributable solely to the category “at amortized cost”.

The fixed-interest bond financing (carrying amount of the underlying transaction: TEUR 150,981; 30.4.2018: TEUR 153,242), a fixed-interest bank loan (carrying amount of the underlying transaction: TEUR 75,692; 30.4.2018: TEUR 74,631) and all of the fixed-interest promissory note loans (carrying amount of the underlying transactions: TEUR 409,945; 30.4.2018: TEUR 169,132) were converted to variable interest through interest rate swaps. The following table shows the changes in the underlying transactions and hedging instruments that were recognized to profit or loss for fair value hedges.

	2018/2019 TEUR	2017/2018 TEUR
From hedged items (underlying transactions)	−2,312	−1,960
From hedging instruments	2,312	1,960
Ineffectiveness **(bonds)**	**0**	**0**
From hedged items (underlying transactions)	1,047	−303
From hedging instruments	−1,047	303
Ineffectiveness **(bank loans)**	**0**	**0**
From hedged items (underlying transactions)	5,326	−454
From hedging instruments	−5,326	454
Ineffectiveness **(promissory note loans)**	**0**	**0**

(25) Income from financial investments

	2018/2019 TEUR	2017/2018 TEUR
Realized results from securities (net income)	7	20
Unrealized income/loss on securities (net income)	7	2
Income from other financial assets	5,997	466
Adjustment to impairment allowance (IFRS 9) for loans	5	0
	6,015	**488**

The income from other financial assets in 2018/19 consists primarily of a receivable from a participation right which was previously written off and from a debtor's warrant.

Since all securities are carried at fair value through profit or loss, the above results are attributable entirely to this category of financial instruments. The income from other financial assets relates to the category "at fair value through profit or loss". The income and expenses from the impairment allowance for loans are allocated to the category "at amortized cost".

(26) Additional information on the statement of comprehensive income

Income and expenses recognized in other comprehensive income – reclassification:	**2018/2019 TEUR**		**2017/2018 TEUR**	
Revaluation of obligations arising from post-employment benefits for employees:				
Change recognized in other comprehensive income	−9,411	−9,411	4,002	4,002
Currency translation differences:				
Change in translation reserve arising from foreign currency translation	−42,036		−100,891	
Reclassification to the income statement	0	−42,036	0	−100,891
Total income and expenses (after tax) recognized in other comprehensive income		**−51,447**		**−96,889**

Income and expenses recognized in other comprehensive income – income tax effects:	**2018/2019 TEUR**			**2017/2018 TEUR**		
	Before tax	**Taxes**	**After tax**	**Before tax**	**Taxes**	**After tax**
Revaluation of obligations arising from post-employment benefits for employees	−12,203	2,792	−9,411	5,162	−1,159	4,002
Currency translation differences	−45,654	3,618	−42,036	−107,147	6,256	−100,891
Total income and expenses recognized in other comprehensive income	**−57,857**	**6,410**	**−51,447**	**−101,986**	**5,097**	**−96,889**

3 Risk Report

Principles of risk management

EGGER produces and sells in Europe and America and is therefore exposed to a wide variety of risks. These risks are analyzed within the framework of a comprehensive risk management system. EGGER defines risk as the possibility of a variance from corporate goals, which covers the possibility of a loss as well as the failure to utilize an opportunity. The goals of risk management are to protect the asset, financial and earnings positions of the EGGER Group and to also identify future opportunities to generate earnings and realize growth. A decentralized organizational and management structure in connection with increasing geographical diversification allows EGGER to minimize business risks and reduce the related negative consequences. This process is supported by an integrated risk profile, which was developed to standardize risk management throughout the Group. The risk management system is coordinated centrally at the Group level and continuously expanded and improved. In addition to geographical diversification, concentration on the core business supports the optimization of procedures and strengthens the focus of the risk management system. High market shares in EGGER's key business regions, long-standing cooperation with customers, suppliers and consultants as well as particularly low employee turnover are the guarantee for wide-ranging knowledge of the Group's markets and the early identification of risks.

As part of its risk management strategy, EGGER identifies the risks to which the Group is exposed and evaluates the most important operating and strategic risks. The quantitative and qualitative effects of the major risks for EGGER and the probability of their occurrence are identified, assessed and documented in regular strategy meetings. Risk management activities concentrate on the major risks, which are analyzed and monitored regularly together with designated "risk owners". Financial risks, e.g. interest rate and foreign exchange risks, are analyzed and appraised by the corporate treasury department each quarter based on revised forecast data.

A Monte Carlo simulation is used to aggregate the overall extent of risk at the Group level. This system simulates and evaluates various scenarios based on rolling quarterly planning. It incorporates the uncertainties associated with forecast assumptions and thereby ensures a high degree of planning certainty. The simulation of various scenarios shows the expected values for performance indicators (e.g. EBITDA) and identifies the risk-related ranges for these indicators. The system also supports the transparent assessment and documentation of individual risks. Risk management in the EGGER Group includes a focus on treasury indicators and financial covenants as well as internal value management indicators that were selected to provide a reasonable benchmark for operations and long-term growth. No risks can be identified at the present time that would endanger the continued existence of the EGGER Group. The individual companies in the EGGER Group consciously take on risk only in connection with their operating activities. Controlling and planning instruments, Group-wide guidelines and regular reporting are used to monitor and manage risks.

The EGGER risk management system represents a framework for the early identification, communication, management and handling of risks. This system is intended to identify potential risks at an early point in time and to assess these risks, estimate their consequences and, if necessary, to initiate suitable preventive or hedging measures. Risk management at EGGER represents an integral part of all decisions and business processes.

Financial risks

The interest rate and foreign exchange risks arising from the operating activities of the EGGER Group are determined on a quarterly basis for a 12-month planning horizon. This analysis forms the starting point for the control and management of interest rate and foreign exchange risks based on the risk management strategy defined by Group management and in accordance with the limits established for interest rate and foreign exchange risks. The hedging requirements determined by this analysis are designed to limit interest rate and foreign exchange risks through the directed use of financial instruments, and thereby ensure that the Group's risk position after the conclusion of these hedges does not exceed the defined risk capacity. This risk capacity is determined each year as a percentage of the Group's overall risk capacity, which represents a percentage of budgeted EBITDA for the next 12 months.

Interest rate and foreign exchange risk

The risks arising from changes in interest rates are generally related to debt instruments. As part of the general risk analysis, the expected interest rate risk arising from borrowings is estimated for each risk position under the assumption that the financing structure consists entirely of variable interest instruments. The parameters for this analysis include interest rates that reflect the terms of the various instruments as well as daily fluctuations and a 95 % probability of occurrence.

A list of all major interest-bearing liabilities together with the effective interest rate and remaining term as well as information on existing hedges is provided in the notes under financial liabilities.

Regular business operations expose the Group to foreign exchange risk on cash transactions, above all in ARS, AUD, CHF, GBP, PLN, RUB, USD, RON and TRY. The free cash flows in GBP, RON, RUB, PLN, TRY, ARS and USD which are generated by non-EUR companies and cash balances in foreign currencies (up to their conversion into EUR) are also exposed to a direct foreign exchange risk. EUR-revenues recorded in non-EUR countries can be subject to indirect foreign exchange risk, since an increase in the value of the Euro can lead to rising pressure on prices in individual markets.

Planned revenues, planned free cash flows and foreign currency cash balances form the starting point for the risk analysis. The foreign exchange risks are simulated individually based on the implied volatility of diversification effects (correlations) and a defined probability of occurrence, and then added to determine the total foreign exchange risk.

The final step in the risk analysis involves the addition of the individual interest rate and foreign currency risk positions and the calculation of the overall financial risk position.

Forward exchange contracts (for foreign exchange risks) as well as interest rate swaps, forward rate agreements and fixed-interest borrowings (for interest rate risk) are used to reduce the foreign exchange and interest rate risks in cases where the Group's risk capacity is exceeded.

The derivative financial instruments used to hedge interest rate and foreign exchange risk are included in the list of financial instruments. The EGGER Group is also exposed to risks resulting from the translation of the individual financial statements of non-EUR companies into the Euro as the Group's reporting currency (translation risk). This risk is monitored on the basis of a monthly analysis. Translation risk is only hedged when the potential risk would result in a consolidated equity ratio of less than 25 %.

Sensitivity of foreign exchange and interest rate positions

If EUR-interest rates had been 100 basis points higher or lower on April 30, 2019 and assuming all other variables remained constant, profit after tax would have been TEUR 8,270 (2017/18: TEUR 5,172) lower or higher. This change would have resulted primarily from the higher or lower interest expense on variable interest financial liabilities. A fluctuation of 100 basis points in EUR-interest rates would have the same effect on equity.

If the exchange rate between the EUR and the above-mentioned key currencies for EGGER had been 10 % higher or lower on April 30, 2019, and assuming all other variables remained constant, after-tax profit and equity, excluding translation differences, would have changed as follows:

Effect in TEUR	30.4.2019 TEUR		30.4.2018 TEUR	
	Increase	Decrease	Increase	Decrease
GBP	−2,443	1,624	−3,644	2,958
RON	−99	409	251	377
RUB	−1,726	2,317	403	−288
PLN	1,430	−1,138	−1,783	1,344
ARS	−17	11	−58	37
USD	−749	513	−419	412
TRY	−616	579	−695	676
Other currencies	−289	292	−285	281
Total	**−4,510**	**4,607**	**−6,230**	**5,796**

The changes would have resulted primarily from the following factors: currency translation gains/losses on foreign currency-denominated trade receivables, cash and cash equivalents, financial liabilities, trade payables and derivative financial instruments.

Liquidity risk

Liquidity risk represents a danger to the continuing existence of the Group companies as well as the entire Group. Therefore, sufficient funds must be available to ensure that payment obligations can be met at all times. The liquidity position is evaluated regularly on the basis of daily cash dispositions and the Group's financial standing (short-term availability of liquid funds) as well as weekly forecasts, liquidity planning based on the various currencies for a period of 15 months and medium-term planning for five years. Budgeted short-term liquidity requirements are covered by cash balances, which include a pre-determined minimum liquidity reserve. Medium-term requirements are safeguarded by readily available lines of credit (as of 30.4.2019: TEUR 200,000 available for discretionary use) and by individual financing agreements. These strategic liquidity reserves must be sufficient at all times, among others, to refinance the next scheduled Group borrowings.

Liabilities result in the following contractually agreed payment obligations (interest expense and principal repayments):

As of 30.04.2019	Cash flows in TEUR					
	Total	Under 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Bonds	156,750	156,750	0	0	0	0
Financial liabilities owed to credit institutions	619,511	41,733	27,284	64,936	231,586	253,972
Promissory note loans	693,789	3,227	23,582	8,866	371,000	287,114
Trade payables	253,321	248,635	4,686	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Contractual cash flows	**1,723,371**	**450,345**	**55,552**	**73,802**	**602,585**	**541,086**

As of 30.04.2018	Cash-flows in TEUR					
	Total	Under 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Bonds	163,500	6,750	0	156,750	0	0
Financial liabilities owed to credit institutions	507,934	92,600	1,048	67,614	195,336	151,337
Promissory note loans	369,217	2,883	2,113	22,490	128,874	212,857
Trade payables	240,425	240,232	193	0	0	0
Derivative financial instruments	3,160	−351	−322	−262	3,066	1,029
Contractual cash flows	**1,284,236**	**342,113**	**3,032**	**246,592**	**327,276**	**365,223**

Credit risk

The amounts reported under assets represent the maximum credit and default risk because there are no general settlement agreements. The risk associated with trade receivables is considered to be low because the credit standing of new and existing customers is monitored on a regular basis. In addition, most of the trade receivables are insured against default. The maximum risk of default on the receivables from the operating business totals TEUR 47,555 (30.4.2018: TEUR 49,612) and represents the deductible on the insured receivables plus the uninsured receivables.

The risk of default on other primary financial assets and on derivative financial instruments is considered to be low.

Operating risks

Market risks

The core business of the EGGER Group – the development and production of high-quality wood materials – is subject to economic and seasonal fluctuations. In order to eliminate major fluctuations in earnings to the greatest extent possible, the Group pursues a strategy of geographic, product and branch diversification and also works to develop long-term relationships with customers.

Procurement, production and investment risks

EGGER uses large quantities of raw materials and energy in the production of wood materials, and the relevant purchase prices may fluctuate depending on the market situation. In order to provide protection against price risks, the Group monitors procurement markets continuously, minimizes fluctuations with appropriate stock levels and, in part, concludes long-term contracts with its suppliers. Supply independence is further improved by the in-house production of adhesives and resins. Moreover, the increasing use of environmentally friendly bio-mass power plants minimizes the dependency on fossil fuels.

Production capacity may be impaired by unplanned malfunctions, natural disasters or problems in obtaining sufficient supplies of strategic raw materials. In order to counter the potential effect of any such incidents on earnings, the Group prepares emergency plans, organizes support from other EGGER production facilities as needed and safeguards supplies of key raw materials through long-term delivery contracts wherever possible.

Production and warehouse capacity is monitored regularly on the basis of rolling quarterly forecasts. Any necessary adjustments to reflect the market situation are made over the medium-term through appropriate measures in the sales area and the adjustment of production volumes.

All investments and growth projects must meet pre-defined return and profitability targets, and are monitored regularly to ensure these targets are met. Efficient and effective monitoring is guaranteed by clearly defined value management principles, indicators, investment calculation models and an integrated investment management process.

4 Additional Disclosures

4.1 Financial Instruments

The Group holds both primary and derivative financial instruments. **Primary financial instruments** consist chiefly of financial assets, trade receivables, securities, deposits with financial institutions, bonds, financial liabilities and trade payables.

Derivative financial instruments comprise the following:

	30.04.2019			30.04.2018		
	Currency	Nominal value in thous.	Fair value TEUR	Currency	Nominal value in thous.	Fair value TEUR
Interest rate swaps with positive fair value – fair value hedges	EUR	632,500	**5,108**	EUR	190,000	**4,026**
Interest rate swaps with negative fair value – fair value hedges	EUR	0	**0**	EUR	206,500	**−2,978**
			5,108			**1,048**

The nominal value reflects the contract volume of the derivative financial instruments. Fair value represents the amount at which the transactions could be settled.

The derivative financial instruments are held to hedge interest rate risks. EGGER uses a hedging ratio of 1:1.

Fair value
The fair values of the derivative financial instruments are shown in the above table.

The following table shows the carrying amounts and fair values of the individual financial assets and liabilities as well as the corresponding valuation categories:

Balance sheet position as of 30.04.2019 (after IFRS 9)	Valuation category	Level	Carrying amount MEUR	Fair value MEUR
Financial assets carried at fair value				
Securities	FVTPL	1	0.7	0.7
Other financial assets	FVTPL	3	11.3	11.3
Unsold receivables from the factoring portfolio	FVOCI	3	30.4	30.4
Derivatives	FVTPL	2	5.1	5.1
			47.5	**47.5**
Financial assets not carried at fair value				
Loans	AC		11.5	–
Trade receivables	AC		65.5	–
Other financial assets	AC		27.6	–
Cash and cash equivalents	AC		444.5	–
			549.1	
Financial liabilities carried at fair value				
Residual risk from factoring	FVTPL	3	0.4	0.4
			0.4	**0.4**
Financial liabilities not carried at fair value				
Bonds	AC		151.3	153.3
Amounts owed to credit institutions	AC		601.6	603.3
Promissory note loans	AC		642.3	654.9
Leases	AC		2.2	–
Pool funds / settlement funds due to subsidiaries	AC		0.1	–
Other financial liabilities	AC		38.2	–
Trade payables	AC		253.3	–
			1,689.0	

FVTPL, Fair value through profit or loss
FVOCI, Fair value through other comprehensive income
AC, Amortised cost

Balance sheet position as of 30.04.2018 (after IAS 39) – Assets	Valuation category (A)	Level	30.04.2018 Carrying amount MEUR	Fair value MEUR
Financial assets				
Securities at fair value through profit or loss	FAFVTPL	1	0.7	0.7
Other financial assets (B)	AFS / FAAC		12.7	–
Originated loans (D)	LAR		14.4	–
			27.8	
Other assets				
Due from third parties (D)	LAR		21.9	–
Due from factoring partners (D)	LAR		5.2	–
Tax credits (non-income based taxes) (C)			35.4	–
Suppliers with debit balances (D)	LAR		7.3	–
Derivative financial instruments (assets)	FAFVTPL	2	4.0	4.0
Prepaid expenses (C)			5.1	–
			78.9	
Trade receivables (D)	LAR		**93.7**	–
Cash and cash equivalents (D)	LAR		**212.0**	–
Aggregated by valuation category				
Financial assets measured at amortized cost	*FAAC*		*12.7*	–
Financial assets at fair value through profit or loss	*FAFVTPL*		*4.7*	–
Loans and receivables	*LAR*		*354.5*	–

Balance sheet position as of 30.04.2018 (after IAS 39) – Liabilities	Valuation category (A)	Level	30.04.2018 Carrying amount MEUR	30.04.2018 Fair value MEUR
Bonds and financial liabilities	FLAC		**990.4**	1,007.6
Other liabilities				
Due to third parties (D)	FLAC		7.0	–
Residual risk from factoring	FLFVTPL	3	0.4	0.4
Due to employees (D)	FLAC		47.0	–
From unpaid customer bonuses (D)	FLAC		27.5	–
Due to subsidiaries (D)	FLAC		0.1	–
From taxes (non-income based taxes) (C)			22.0	–
From social security (C)			10.6	–
Derivative financial instruments (liabilities)	FLFVTPL	2	3.0	3.0
Deferred income (C)			0.7	–
			118.3	
Trade payables (D)	FLAC		**240.4**	–
Aggregated by valuation category				
Financial liabilities measured at amortized cost	*FLAC*		*1,312.4*	
Financial liabilities at fair value through profit or loss	*FLFVTPL*		*3.4*	

(A) Valuation categories as defined in IAS 39 / measurement based on other IAS / IFRS.

(B) Generally AFS (available for sale); since fair value cannot be determined reliably, these items are measured at cost less any necessary impairment charges.

(C) Not a financial instrument.

(D) The carrying amount approximates fair value.

The allocation of financial assets and liabilities at fair value to the three-level fair value hierarchy can be seen in the above table. The levels of the fair value hierarchy and their application to assets and liabilities are described in the following:

- **Level 1**: Listed market prices for identical assets or liabilities in an active market.
- **Level 2:** Information directly or indirectly derived from market prices for the relevant asset or liability that can be monitored on the market.
- **Level 3:** Data that is not based on observable market information.

The other financial assets are carried at fair value, which is determined on the basis of the underlying earnings forecasts. Measurement therefore represents Level 3 on the valuation hierarchy. Since the fair value generally reflects the carrying amount, no adjustments were made.

Additional information on the residual risk from factoring (Level 3) is not provided because the related amounts are immaterial.

There were no reclassifications between hierarchy levels during the reporting year.

4.2 Other Obligations and Uncertain Liabilities

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Other obligations

The Group has concluded lease and rental agreements for the use of property, plant and equipment which is not recorded on the balance sheet. The future payment obligations resulting from these contracts are as follows:

	2018/2019 TEUR	2017/2018 TEUR
Due in the following year	9,848	5,914
Due in the following two to five years	14,161	9,806
Due in over five years	7,543	8,349

Lease and rental expenses totaled TEUR 13,628 in 2018/19 (2017/18: TEUR 11,748).

Uncertain liabilities

Innovation implies that intangible property rights, above all technical property rights, can be relevant for business activities. Patent discussions occur frequently in product areas with comparatively short development intervals, such as laminated flooring. The subsidiaries and associates of Egger Holzwerkstoffe GmbH are also involved in such disagreements, both actively and passively. However, the Group works to limit the related legal risks through a corporate headquarters department and close cooperation with external consultants as well as the conclusion of licensing agreements where appropriate.

Certain subsidiaries of Egger Holzwerkstoffe GmbH are also parties to various legal proceedings arising from ordinary business activities. Provisions were created where it is probable that these proceedings will lead to a future payment or other form of performance whose amount can be estimated. Management assumes these proceedings will not have a material effect on the asset, financial or earnings position of Egger Holzwerkstoffe GmbH.

The insolvency administrator for several companies belonging to a German corporate group has contested payments for products delivered by member companies of the EGGER Group between 2015 and 2017. Based on the known facts, EGGER does not believe the involved companies are entitled to contest the payments because it was not informed of the corporate group’s insolvency and was unaware of any circumstances which would lead to a presumption of insolvency on the part of the involved companies in that corporate group. One of three pending lawsuits has already been rejected in the first instance. Management therefore currently classifies the risk as low that the claims filed by the insolvency administrator against EGGER will be successful, and a provision of TEUR 500 has only been recognized for procedural costs (30.4.2018: TEUR 0).

Contingent liabilities and guarantees

In connection with the plant construction in Lexington, USA, suppliers and construction firms as well as their subcontractors have claimed security rights (so-called “lien waivers”) for the delivery of goods and the provision of services. These liens will be terminated when the liabilities are paid.

4.3 Auditor’s Fees

The fees charged by the auditor in 2018/19 comprise TEUR 124 (2017/18: TEUR 114) for the audit of the annual financial statements and other assurance services for the Austrian companies included in the consolidated financial statements of Egger Holzwerkstoffe GmbH as well as TEUR 59 (2017/18: TEUR 32) for other services.

4.4 Transactions with Related Parties and Persons

The management structure of the EGGER Group ensures that the commercial director, Thomas Leissing (CFO and Speaker of the Group), is notified of all transactions with related parties and companies. The Accounting Department is informed of planned transactions on a regular basis. The Head of Legal / Tax / Compliance in the EGGER Group also provides the Accounting Department with information on related persons and companies as well as their transactions. In connection with the preparation of the annual financial statements, all persons responsible for accounting procedures in the individual EGGER companies are questioned on possible transactions in a structured process. All key managers, shareholders, Supervisory Board members and Advisory Board members are also questioned each year in writing on their transactions with Egger Holzwerkstoffe GmbH. The Group-wide, standardized IT/ERP system (SAP) allows for the central analysis of all incoming invoices in accordance with defined criteria (e.g. invoice issuer) at any time.

All subsidiaries and associates of Egger Holzwerkstoffe GmbH are considered to be **related parties**.

A list of the subsidiaries and associates of Egger Holzwerkstoffe GmbH is provided at the end of the notes. All transactions between subsidiaries of Egger Holzwerkstoffe GmbH are eliminated during the consolidation.

Related persons are defined as the members of EGGER’s 0 and 1 management levels (key managers), the shareholders of Egger Holzwerkstoffe GmbH and its managing directors, the members of the Supervisory Board and Advisory Board of MFE Vermögensverwaltung Privatstiftung, the investment “FM Deutschland” – Privatstiftung and the investment “FM England” – Privatstiftung as shareholders of Egger Holzwerkstoffe GmbH together with their close family members and the companies controlled by these persons or their close family members.

The circle of EGGER key managers comprises 36 persons (30.4.2018: 30) who received salaries totaling TEUR 8,433 in 2018/19 (2017/18: TEUR 7,448). The group of EGGER key managers was adjusted to reflect the new divisional and management structure, which also led to the adjustment of the comparative prior year data.

The shareholders of Egger Holzwerkstoffe GmbH are MFE Vermögensverwaltung Privatstiftung, the investment “FM Deutschland” – Privatstiftung, the investment “FM England” – Privatstiftung, Fritz Egger, Michael Egger, Thomas Leissing (through TAL Verwaltungs GmbH), Walter Schiegl and Ulrich Bühler. Dividends totaling TEUR 15,000 were distributed to the shareholders in August 2018.

The following persons served on the Managing Board in 2018/19: Thomas Leissing, Walter Schiegl and Ulrich Bühler.

The members of the Supervisory Board as of April 30, 2019 were Fritz Egger (Chairman and Audit Committee), Michael Egger, Robert Briem, Ewald Aschauer and Michael Stiehl.

As of April 30, 2019 the Management Board of MFE Vermögensverwaltung Privatstiftung consisted of Robert Briem (Chairman), Andreas Urban (Vice-Chairman) and Ernst Gruber. The Management Board of the investment "FM Deutschland" – Privatstiftung and the investment "FM England" – Privatstiftung consisted of Robert Briem (Chairman), Ernst Gruber (Vice-Chairman) and Katharina Müller. Fritz Egger and Michael Egger comprised the Advisory Board for all three foundations.

All transactions with related persons are conducted at arm's length and are immaterial in scope. The following transactions took place in 2018/19:

- Apartments and/or residential buildings were rented on an arm's length basis to a very limited number of persons from management levels 0-1 (key managers) for their private use (in total for 2018/19 and for the previous financial year, less than TEUR 50).

- Certain members of EGGER's Supervisory Board / Foundation Management Boards provide consulting services for the EGGER Group through separate attorneys' societies. These services are invoiced at standard market rates based on hourly records (in total for 2018/19 and the previous financial year: less than TEUR 200).

- EGGER placed the bond 2012–2019 with a volume of EUR 150 million during the 2018/19 financial year and, in 2018, a hybrid bond with a volume of EUR 150 million, both on the public market in Austria. Certificates of these bonds were also purchased by related persons, who receive the related interest payments. The volume of the certificates from the 2012 bond and the 2018 hybrid bond held by all related parties was less than TEUR 300.

- All EGGER Group employees are entitled to purchase services, EGGER materials or merchandise from the EGGER companies. Related parties also make these types of purchases (in total for 2018/19 and the previous financial year: less than TEUR 200).

- Real estate owned by related parties is rented to the EGGER Group at standard market conditions for business purposes (in total for 2018/19 and the previous financial year: less than TEUR 250).

4.5 Events after the Balance Sheet Date

Alfred Wurmbrand was appointed to the Supervisory Board of Egger Holzwerkstoffe GmbH as of May 1, 2019.

Following the receipt of the operating permit for EGGER's new plant in Biskupiec (PL), production started at the end of June.

The Romanian authorities launched investigations during 2016 into possible anticompetitive behavior in connection with wood purchases by the Romanian wood industry. In July 2019 EGGER was invited to meet with the Romanian authorities to discuss the current status of these investigations. EGGER plans to continue the discussions with the Romanian authorities.

No other significant events occurred after the balance sheet date on April 30, 2019.

4.6 Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

St. Johann in Tirol, July 15, 2019

Walter Schiegl	Thomas Leissing	Ulrich Bühler
(CTO, Production, Engineering and Procurement)	(Speaker of the Managing Board, CFO, Finance, Logistics and Human Resources)	(CSO, Marketing and Sales)

The Managing Board

Scope of Consolidation

Company	Headquarters		Nominal capital in 1,000	Stake[1] in %	Type of consolidation	Segment
Companies included in the consolidated financial statements:						
Egger Holzwerkstoffe GmbH	St. Johann i. T.	EUR	11,509	100.00	Full consolidation	Other
Fritz Egger Gesellschaft m.b.H.	St. Johann i. T.	EUR	30,000	94.90	Full consolidation	Decorative Central Decorative East
Fritz Egger GmbH & Co. OG	St. Johann i. T.	EUR	4,563	94.90	Full consolidation	Decorative Central Decorative East Other
Fritz Egger Vermögensverwaltung GmbH	St. Johann i. T.	EUR	37	94.90	Full consolidation	Decorative Central
Fritz Egger Vertriebs GmbH	St. Johann i. T.	EUR	35	94.90	Full consolidation	Decorative Central
Egger Holzprodukte Verwaltungs GmbH	St. Johann i. T.	EUR	35	94.90	Full consolidation	Decorative Central
Egger Americas Holding GmbH	St. Johann i. T.	EUR	37	100.00	Full consolidation	Other
Egger Deutschland Beteiligungsverwaltung GmbH	St. Johann i. T.	EUR	2,253	94.84	Full consolidation	Decorative Central
Egger Osteuropa Beteiligungsverwaltung GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Decorative East
Egger Russland Beteiligungs GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Decorative East
Egger Nordamerika Beteiligungs GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Other
Egger Business Services GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Other
EHWS Beteiligungs GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Decorative Central
Egger East Investment GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Decorative East
Beteiligung “FM International” GmbH	St. Johann i. T.	EUR	35	94.90	Full consolidation	Decorative Central
Egger Südamerika Beteiligungs GmbH	St. Johann i. T.	EUR	35	100.00	Full consolidation	Other
Egger Forst Österreich GmbH	St. Pölten	EUR	100	94.90	Full consolidation	Decorative East
Egger France SAS	Rion des Landes	EUR	2,000	94.90	Full consolidation	Decorative West
EGGER Panneaux & Décors SAS	Rion des Landes	EUR	30,000	94.90	Full consolidation	Decorative West Decorative Central
Egger Retail Products France SAS	Tours	EUR	2,500	94.90	Full consolidation	Flooring
Egger (UK) Holdings Limited	Woking	GBP	23,300	100.00	Full consolidation	Decorative West
Egger (UK) Limited	Woking	GBP	13,500	100.00	Full consolidation	Decorative West
Campact Limited	Woking	GBP	1,000	100.00	Full consolidation	Decorative West
Egger Forestry Limited	Woking	GBP	250	100.00	Full consolidation	Decorative West
Timberpak Limited	Woking	GBP	5	100.00	Full consolidation	Decorative West
Egger Argentina Investment Limited	Woking	GBP	6	100.00	Full consolidation	Other
Egger Argentina Holding Limited	Woking	GBP	2	100.00	Full consolidation	Other
Egger USA Investment Limited	Woking	GBP	4	100.00	Full consolidation	Other
Egger (Ayrshire) Limited	Glasgow	GBP	100	100.00	Full consolidation	Decorative West
Northumbria Finance Designated Activity Company	Dublin	EUR	1,345	100.00	Full consolidation	Other
Romainvest Yatirim ve Ticaret A.S.	Gebze	EUR	30,406	100.00	Full consolidation	Decorative Central
Roma Plastik Sanayi ve Ticaret A.S.	Gebze	EUR	27,347	100.00	Full consolidation	Decorative Central
Egger Orman Ürünleri A.S.	Gebze	TRY	3,653	100.00	Full consolidation	Decorative Central

Company	Headquarters		Nominal capital in 1,000	Stake[1] in %	Type of consolidation	Segment
Egger Benelux GCV	Kortrijk	EUR	4,740	100.00	Full consolidation	Decorative Central
Egger Benelux Management BVBA	Kortrijk	EUR	19	100.00	Full consolidation	Decorative Central
Fritz Egger Beteiligungs GmbH & Co.KG [2/3]	Brilon	EUR	90,641	94.86	Full consolidation	Decorative Central
Egger Holzwerkstoffe Brilon GmbH & Co. KG [2/3]	Brilon	EUR	1,063	94.86	Full consolidation	Decorative Central
Egger Kunststoffe Brilon GmbH & Co. KG [2]	Brilon	EUR	25	94.86	Full consolidation	Decorative Central
Egger Holzwerkstoffe Brilon Beteiligungs-GmbH	Brilon	EUR	25	94.86	Full consolidation	Decorative Central
Egger Kunststoffe Brilon Beteiligungs-GmbH	Brilon	EUR	25	94.86	Full consolidation	Decorative Central
LTPRO GmbH	Brilon	EUR	25	94.86	Full consolidation	Decorative Central
Egger Brilon Service GmbH	Brilon	EUR	500	94.86	Full consolidation	Decorative Central Other
Egger Kunststoffe Beteiligungs-GmbH	Brilon	EUR	25	94.86	Full consolidation	Decorative Central
Egger Sägewerk Brilon GmbH	Brilon	EUR	25	94.86	Full consolidation	Other
Egger Forst GmbH	Brilon	EUR	25	94.86	Full consolidation	Other
Horatec GmbH	Hövelhof	EUR	69	24.24	Equity-method	Decorative Central
Egger Holzwerkstoffe Wismar GmbH & Co. KG [2]	Wismar	EUR	1,025	94.86	Full consolidation	Flooring
Egger Holzwerkstoffe Wismar Beteiligungs GmbH	Wismar	EUR	26	94.86	Full consolidation	Flooring
EGGER Flooring International Beteiligungs GmbH	Wismar	EUR	25	94.86	Full consolidation	Flooring
EGGER Flooring International GmbH & Co. KG [2]	Wismar	EUR	25	94.86	Full consolidation	Flooring
Egger Kunststoffe GmbH & Co. KG [2]	Gifhorn	EUR	282	94.86	Full consolidation	Decorative Central
Egger Beschichtungswerk Marienmünster Beteiligungs-GmbH	Marienmünster	EUR	26	94.86	Full consolidation	Decorative Central
Egger Beschichtungswerk Marienmünster GmbH & Co.KG [2]	Marienmünster	EUR	513	94.86	Full consolidation	Decorative Central
Timberpak GmbH	Lehrte	EUR	25	94.86	Full consolidation	Decorative Central
Egger Polska Sp.z.o.o.	Poznan	PLN	65	94.90	Full consolidation	Flooring
Egger Biskupiec sp. z.o.o.	Biskupiec	PLN	10,000	100.00	Full consolidation	Decorative East
Egger Romania S.R.L.	Radauti	RON	960,201	100.00	Full consolidation	Decorative East
Egger Technologia S.R.L.	Radauti	RON	90,871	100.00	Full consolidation	Decorative East
Energy Trust S.R.L.	Radauti	RON	50,959	100.00	Full consolidation	Decorative East
F.E. Agrar S.R.L.	Radauti	RON	52,911	100.00	Full consolidation	Decorative East
Egger Retail Products S.R.L.	Radauti	RON	1,089	100.00	Full consolidation	Flooring
OOO “Egger Drevprodukt Shuya”	Shuya	RUB	1,839,541	100.00	Full consolidation	Decorative East
OOO “Egger Drevprodukt Gagarin”	Gagarin	RUB	6,341,055	100.00	Full consolidation	Decorative East Flooring
Egger Wood Products LLC	Linwood	USD	142,000	100.00	Full consolidation	Other
Egger Investment SA	Buenos Aires	ARS	400	100.00	Full consolidation	Other
Egger Argentinia SAU	Buenos Aires	ARS	21,752	100.00	Full consolidation	Other

Company	Headquarters		Nominal capital in 1,000	Stake[1] in %	Type of consolidation	Segment
Companies not included in the consolidated financial statements						
Ortswärme St. Johann in Tirol GmbH	St. Johann i. T.	EUR	500	24.67	–	–
Eco 3 Bois SAS	Venissieux	EUR	100	47.45	–	–
Timberpak 31 SAS	Belesta	EUR	50	47.45	–	–
Timberpak Pearce Limited	Woking	GBP	0	50.00	–	–
Krause Maschinenbau GmbH	Tuntenhausen	EUR	26	25.004	–	–
Fundatia “Egger”	Radauti	RON	105	100.00	–	–
Egger Productos de Madera Limitada	Santiago	CLP	16,600	94.86	–	–
Egger Scandinavia APS	Tistrup	DKK	200	94.90	–	–
Egger Baltic UAB	Vilnius	EUR	3	100.00	–	–
Egger CZ s.r.o.	Hradec Kralove	CZK	100	94.90	–	–
TOV Egger Holzwerkstoffe	Chernivtsi	UAH	1,632	100.00	–	–
TOV “Egger Wood Trading”	Chernivtsi	UAH	3,300	100.00		
IOOO Egger Drevplit	Minsk	BYN	4,000	100.00	–	–
Egger Drevplit Kazakhstan LLP	Almaty	KZT	2,100	100.00	–	–
Egger Holzwerkstoffe Schweiz GmbH	Kriens	CHF	100	94.90	–	–
Fritz Egger Kabushiki Kaisha	Tokio	JPY	5,000	94.90	–	–
Egger Australasia Pty Ltd	Sydney	AUD	45	94.90	–	–
Fritz Egger Business Consulting (Shanghai) Co Ltd.	Shanghai	CNY	1,000	94.90	–	–
Egger Southeast Asia Company Limited	Ho Chi Minh City	VND	1,133,000	94.90	–	–

[1] Share of capital based on %.
[2] These subsidiaries elected to use the exemptions provided by § 264 b of the German Commercial Code.
[3] The subsidiaries included in the consolidated financial statements elected to use the exemption provided by § 291 of the German Commercial Code, and therefore did not prepare consolidated financial statements or a group management report.

We draw attention to the fact that the English translation of this auditor’s report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Egger Holzwerkstoffe GmbH, St. Johann in Tirol, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at April 30, 2019, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at April 30, 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

1. Impairment of goodwill

- **Description**
  At the end of the reporting year as at April 30, 2018, Egger Holzwerkstoffe GmbH reported goodwill in the consolidated financial statements at a total amount of EUR 115,153k. Significant goodwill were allocated to the “Decorative” and “Other” Segments and resulted from the acquisition of Roma Plastik Sanayi ve Ticaret A.S., Gebze, Turkey, in 2010 and of Egger Argentina SAU, Concordia, Argentina, in 2017.

- Management tests a cash generating unit (“CGU”), to which goodwill has been allocated, for impairment at least once a year as well as when there is any indication that an asset may be impaired. The carrying amounts of the CGUs are compared with the recoverable amounts (value in use) of the measurement model. Goodwill is impaired to the extent that the recoverable amount falls below its carrying amount.

- As at October 31, 2018, an indication (particularly market interest rates which have an impact on the discount rate used for the calculation of value in use) of impairment in the CGU Egger Argentina SAU, Concordia, Argentina (“Other” Segment) was identified. The measurement performed resulted in an impairment need amounting to EUR 48.3m, which led to goodwill being written off to EUR 0 in the consolidated interim financial statements as at October 31, 2018.

- As at April 30, 2019, goodwill of Roma Plastik in the amount of EUR 58.5m (prior year: EUR 58.5m) as well as further goodwill in the amount of EUR 2.7m (prior year: EUR 2.7m) were tested for impairment. Goodwill was deemed to be recoverable.

- Since measuring goodwill that results from business combinations requires management to make significant judgements, estimates and assumptions, such as an estimate of future cash flows and the determination of discount rates, we considered this to be a key audit matter.

- **Audit approach and key observations**
  By involving measurement experts, we examined the impairment test prepared by the Company as follows:

  We evaluated the annual process and the procedure used to prepare the medium-term forecasts, and verified if the forecasts on which the impairment test is based corresponded to the projected figures submitted to the supervisory board and approved by the management board. We performed plausibility checks of the quality of the medium-term forecasts by analyzing historical budget deviations.

  In addition, we also assessed the impairment tests in view of the methodology and the mathematical accuracy and verified the appropriateness of significant assumptions used in the measurement model (discount rate, cash flows, investments, changes in working capital).

We particularly examined whether the assumptions used for the discount rates as well as the growth rates considered for the perpetual annuity corresponded to the external market and industry data.

Our audit procedures confirmed that the measurement model, which the Company uses to perform impairment tests, is in accordance with IAS 36. The assumptions and parameters used for measurement as well as the required disclosures as stipulated in the respective standards are in accordance with IAS 36.

- **Reference to related disclosures**
  We refer to the notes to the consolidated financial statements, chapter 2, note 1, notes to the balance sheet, income statement, statement of comprehensive income and cash flow statement.

2. Impairment of property, plant and equipment, and intangible assets

- **Description**
  In April 2019, indications of impairment with regard to the assets of the CGU Egger Argentina SAU, Concordia, Argentina, were identified due to negative changes in markets and the economy in Argentina and an impairment test was performed.

  The recoverable amount had fallen below the respective carrying amount of the CGU. Property, plant and equipment in the amount of EUR 23.3m and intangible assets in the amount of EUR 18.6m were thus written off in full as at April 30, 2019.

  Testing a CGU for impairment requires management to make significant estimates on future market developments in the planning period. Measurement further involves significant judgements, particularly with regard to the discount rate and the assumptions for the perpetual annuity, which is why this was identified as a key audit matter.

- **Audit approach and key observations**
  The procedure of examining the impairment test is basically the same as testing goodwill for impairment.

  In assessing indications pointing to an impairment in further CGU’s, we also held talks with management and performed analytical audit procedures.

  Our audit procedures confirmed that the measurement model, which the Company uses to perform impairment tests, is in accordance with IAS 36. The assumptions and parameters used for measurement as well as the required disclosures as stipulated in the respective standards are in accordance with IAS 36.

- **Reference to related disclosures**
  We refer to the notes to the consolidated financial statements, chapter 2, note 1, notes to the balance sheet, income statement, statement of comprehensive income and cash flow statement.

3. IAS 29 Financial reporting in hyperinflationary economies

- **Description**

The Argentinian economy being declared hyperinflationary within the meaning of IAS 29 resulted in consequences in the accounting for Egger Holzwerkstoffe GmbH, St. Johann in Tirol, for reporting periods ending after July 1, 2018. Financial reporting is to be restated as if the Argentinian economy had always been hyperinflationary.

In Argentina, Egger Holzwerkstoffe GmbH, St. Johann in Tirol, acquired 100 % of the shares in Masisa Argentina S. A., Buenos Aires / Concordia at the beginning of October 2017. Applying IAS 29 requires the restatement of all assets and liabilities with regard to the Argentinian subsidiary to a general price index, except for:

- monetary assets and liabilities (IAS 29.12);
- assets and liabilities linked by agreement to changes in prices (IAS 29.13);
- other assets and liabilities measured at amounts current at the reporting date (e.g. at the net realizable value or at fair value in accordance with IFRS 13 (IAS 29.14)).

The restatement of reporting periods under IAS 29 requires certain procedures to be applied as well as judgements to be made, whereby the consistent application of these procedures and judgements from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

In its consolidated cash flow statement as at April 30, 2019, Egger Holzwerkstoffe GmbH, St. Johann in Tirol, reports an amount of EUR 25.6 m (prior year: EUR 18.3 m) arising from the “Revaluation based on hyperinflation in Argentina”.

Due to the materiality of the financial position and financial performance of the Argentinian subsidiary to the consolidated financial statements as well as the inherent complexity of IAS 29 and the potentially inappropriate exertion of judgements, the financial reporting under IAS 29 was identified as a key audit matter.

- **Audit approach and key observations**

We assessed the evidence pointing to a hyperinflation of the economy in Argentina. Plausibility checks with regard to inflation rates, cumulative inflation rates and the selection of price indices were performed.

We examined the distinction between monetary and non-monetary items, and the currency translation of equity as well as of the statement of comprehensive income and the cash flow statement.

Further, we scrutinized management’s judgements and assumptions and to this end engaged experts in order to reconcile the models and assumptions applied with our industry knowledge as well as our experience.

We verified the disclosures in the notes as to whether they appropriately reflect the effects arising from the restatement under IAS 29.

The restatement of assets and liabilities as well as the required disclosures as stipulated in the respective standards are in accordance with IAS 29.

- **Reference to related disclosures**
  We refer to the notes to the consolidated financial statements, chapter 2, note 1, notes to the balance sheet, income statement, statement of comprehensive income and cash flow statement.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INTRODUCTION BY GROUP MANAGEMENT

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Information in Accordance with Article 10 of the EU Regulation

By circular resolution of Egger Holzwerkstoffe GmbH, St. Johann in Tirol, we were appointed as auditor for the fiscal year from May 1, 2018 to April 30, 2019. We have audited the Company for an uninterrupted period since 2011/12.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Horst Bernegger, Austrian Certified Public Accountant.

Vienna, July 15, 2019

PwC Wirtschaftsprüfung GmbH

Mag. Horst Bernegger
Wirtschaftsprüfer

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

Bestätigungsvermerk

Bericht zum Konzernabschluss

Prüfungsurteil

Wir haben den Konzernabschluss der Egger Holzwerkstoffe GmbH, St. Johann in Tirol, und ihrer Tochtergesellschaften (der Konzern), bestehend aus der konsolidierten Bilanz zum 30. April 2019, der gesonderten konsolidierten Gewinn- und Verlustrechnung, der konsolidierten Gesamtergebnisrechnung, der konsolidierten Cash-flowrechnung und der Entwicklung des Eigenkapitals für das an diesem Stichtag endende Geschäftsjahr sowie dem Anhang zum konsolidierten Jahresabschluss, geprüft.

Nach unserer Beurteilung entspricht der beigefügte Konzernabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage des Konzerns zum 30. April 2019 sowie der Ertragslage und der Zahlungsströme des Konzerns für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den International Financial Reporting Standards (IFRS), wie sie in der EU anzuwenden sind, und den zusätzlichen Anforderungen des § 245a UGB.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit mit der EU-Verordnung Nr. 537/2014 (im Folgenden EU-VO) und den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt „Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Konzernabschlusses“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind vom Konzern unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften, und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Besonders wichtige Prüfungssachverhalte

Besonders wichtige Prüfungssachverhalte sind solche Sachverhalte, die nach unserem pflichtgemäßen Ermessen am bedeutsamsten für unsere Prüfung des Konzernabschlusses des Geschäftsjahres waren. Diese Sachverhalte wurden im Zusammenhang mit unserer Prüfung des Konzernabschlusses als Ganzem und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt, und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.

Unsere Darstellung dieser besonders wichtigen Prüfungssachverhalte haben wir wie folgt strukturiert:

- Sachverhalt
- Prüferisches Vorgehen und Erkenntnisse
- Verweis auf weitergehende Informationen

1. Werthaltigkeit der Firmenwerte

- **Sachverhalt**

Zum Ende des Berichtsjahres per 30. April 2018 betrugen die Firmenwerte im Konzernabschluss der Egger Holzwerkstoffe GmbH, insgesamt TEUR 115.153. Die wesentlichen Firmenwerte waren den Geschäftsfeldern „Dekorativ“ und „Sonstiges“ zugeordnet und resultierten aus den Erwerben der Roma Plastik Sanayi ve Ticaret A.S., Gebze, Türkei, im Jahr 2010 sowie der Egger Argentina SAU, Concordia, Argentinien, im Jahr 2017.

Die Geschäftsführung überprüft mindestens einmal jährlich, sowie bei Vorliegen von Anhaltspunkten, ob eine Wertminderung einer zahlungsmittelgenerierenden Einheit („CGU“) mit Firmenwert vorliegt. Die Buchwerte der CGUs werden mit den erzielbaren Beträgen (Nutzungswert) des Bewertungsmodells verglichen. Soweit der erzielbare Betrag den Buchwert unterschreitet, wird der Firmenwert wertgemindert.

Zum 31. Oktober 2018 wurden Anhaltspunkte (insbesondere Marktzinssätze, die sich auf die Abzinsungssatz für die Berechnung des Nutzungswertes auswirken) für eine Wertminderung in der CGU Egger Argentina SAU, Concordia, Argentinien (Geschäftsfeld „Sonstige“) identifiziert. Die durchgeführte Bewertung ergab einen Abwertungsbedarf in Höhe von EUR 48,3 Mio. der zu einer Abschreibung des Firmenwertes auf EUR 0 im konsolidierten Zwischenabschluss per 31. Oktober 2018 geführt hat.

Zum 30. April 2019 erfolgte die jährliche Überprüfung des Firmenwerts der Roma Plastik in Höhe von EUR 58,5 Mio. (Vorjahr: EUR 58,5 Mio.) sowie der weiteren Firmenwerte in Höhe von EUR 2,7 Mio. (Vorjahr: EUR 2,7 Mio.) auf einen etwaigen Wertminderungsbedarf. Die Firmenwerte wurden für werthaltig befunden.

Da die Bewertung von aus Unternehmenserwerben resultierenden Firmenwerten von der Geschäftsführung erhebliche Ermessensentscheidungen, Schätzungen und Annahmen, wie beispielsweise die Schätzung zukünftiger Cash Flows und die Festlegung von Diskontierungszinssätzen verlangt, haben wir dies als besonderen wichtigen Prüfungsschwerpunkt angesehen.

- **Prüferisches Vorgehen und Erkenntnisse**

Wir haben den vom Unternehmen erstellten Wertminderungstest unter Einbeziehung von Bewertungsspezialisten folgenderweise geprüft:

Wir haben den jährlichen Prozess und das Verfahren zur Erstellung der Mittelfristplanung erhoben und die dem Werthaltigkeitstest zugrundeliegenden Prognosen auf Übereinstimmung mit den dem Aufsichtsrat vorgelegten und vom Vorstand freigegebenen Planzahlen überprüft. Wir haben die Qualität der Mittelfristplanung durch eine Analyse der historischen Budgetabweichungen verplausibilisiert.

Des Weiteren haben wir die Methodik und rechnerische Richtigkeit der Werthaltigkeitstests beurteilt und die Angemessenheit der im Bewertungsmodell verwendeten wesentlichen Annahmen (Zinssatz, Cash-Flows, Investitionen, Working Capital-Veränderungen) überprüft.

Insbesondere haben wir geprüft, ob die für die Diskontierungszinssätze verwendeten Annahmen sowie die Wachstumsraten für die ewige Rente den externen Markt- und Branchendaten entsprechen.

Unsere Prüfungshandlungen haben die Übereinstimmung des Bewertungsmodells, das das Unternehmen zur Durchführung eines Werthaltigkeitstests verwendet mit IAS 36 bestätigt. Die bei der Bewertung verwendeten Annahmen und Parameter sowie die von den entsprechenden Standards geforderten Angaben sind in Übereinstimmung mit IAS 36.

- **Verweis auf weitergehende Informationen**
  Wir verweisen auf den Konzernanhang, Kapitel 2, Note 1, Erläuterungen zur Bilanz, Gewinn- und Verlustrechnung, Gesamtergebnisrechnung und Cash-flowrechnung.

2. Werthaltigkeit von Sachanlagevermögen und immateriellen Vermögensgegenständen

- **Sachverhalt**
  Im April 2019 wurden aufgrund von nachteiligen Entwicklungen im marktbezogenen und wirtschaftlichen Umfeld in Argentinien Hinweise auf eine Wertminderung der Vermögensgegenstände der CGU Egger Argentinien SAU, Concordia, Argentinien, identifiziert und ein Werthaltigkeitstest durchgeführt.

  Der ermittelte erzielbare Betrag ergab eine Unterdeckung des Buchwerts der CGU. Es erfolgte daher zum 30. April 2019 eine vollständige Abwertung des Sachanlagevermögens in Höhe von EUR 23,3 Mio. sowie der immateriellen Vermögenswerte in Höhe von EUR 18,6 Mio.

  Die Überprüfung der Werthaltigkeit der CGUs erfordert wesentliche Schätzungen des Managements über die künftige Marktentwicklung im Planungszeitraum. Darüber hinaus bestehen in der Bewertung erhebliche Ermessensspielräume, insbesondere in Bezug auf den Diskontierungszinssatz und die Annahmen für die ewige Rente, weshalb dies als besonders wichtiger Prüfungssachverhalt identifiziert wurde.

- **Prüferisches Vorgehen und Erkenntnisse**
  Die Vorgehensweise der Prüfung des Werthaltigkeitstests ist grundsätzlich gleich wie jene, der Prüfung der Werthaltigkeit der Firmenwerte.

  Darüber hinaus haben wir zur Beurteilung, ob in weiteren CGUs Anhaltspunkte für Wertminderungen bestehen, Gespräche mit dem Management und analytische Prüfungshandlungen durchgeführt.

  Unsere Prüfungshandlungen haben die Übereinstimmung des Bewertungsmodells, das das Unternehmen zur Durchführung eines Werthaltigkeitstests verwendet mit IAS 36 bestätigt. Die bei der Bewertung verwendeten Annahmen und Parameter sowie die von den entsprechenden Standards geforderten Angaben sind in Übereinstimmung mit IAS 36.

- **Verweis auf weitergehende Informationen**
  Wir verweisen auf den Konzernanhang, Kapitel 2, Note 1, Erläuterungen zur Bilanz, Gewinn- und Verlustrechnung, Gesamtergebnisrechnung und Cash-flowrechnung.

3. IAS 29 Rechnungslegung in Hochinflationsländern

- **Sachverhalt**
  Mit Bekanntgabe, dass die argentinische Volkswirtschaft hochinflationär im Sinne von IAS 29 ist, ergeben sich für Berichtsperioden von Egger Holzwerkstoffe GmbH, St. Johann in Tirol, die nach dem 1. Juli 2018 enden, bilanzielle

Konsequenzen. Die Finanzberichterstattung ist anzupassen, als ob die argentinische Volkswirtschaft bereits immer hochinflationär gewesen wäre.

In Argentinien hat Egger Holzwerkstoffe GmbH, St. Johann in Tirol, Anfang Oktober 2017 100 % Anteile an der Masisa Argentina S. A., Buenos Aires / Concordia, erworben. Die Anwendung von IAS 29 bedingt die Anpassung sämtlicher Vermögenswerte und Schulden in Bezug auf das argentinische Tochterunternehmen an einen allgemeinen Preisindex, außer:

- monetäre Vermögenswerte und Schulden (IAS 29.12);
- Vermögenswerte und Schulden, die vertraglich an Preisänderungen gebunden sind (IAS 29.13);
- andere Vermögenswerte und Schulden, die am Bilanzstichtag zu aktuellen Werteinheiten bewertet sind (bspw. zum Nettoveräußerungspreis oder zum Fair Value gemäß IFRS 13 (IAS 29.14).

Gemäß IAS 29 müssen zur Anpassung der Berichtsperioden bestimmte Verfahren angewandt sowie Ermessensentscheidungen getroffen werden, wobei der periodenübergreifenden konsequenten Anwendung dieser Verfahren und Ermessensentscheidungen der Vorrang gegenüber der Exaktheit der daraus in den angepassten Abschlüssen resultierenden Beträge eingeräumt wird.

Zum 30. April 2019 weist Egger Holzwerkstoffe GmbH, St. Johann in Tirol, in der konsolidierten Cash-flowrechnung einen Betrag aus der „Aufwertung Hyperinflation Argentinien“ in Höhe von EUR 25,6 Mio. (Vorjahr: EUR 18,3 Mio.) aus.

Aufgrund der Wesentlichkeit der Vermögens-, Finanz- und Ertragslage des argentinischen Tochterunternehmens für den Konzernabschluss sowie der IAS 29 immanenten Komplexität und dem möglicherweise nicht sachgerechten Ausüben von Ermessenspielräumen wurde die Rechnungslegung nach IAS 29 als besonders wichtiger Prüfungssachverhalt identifiziert.

- **Prüferisches Vorgehen und Erkenntnisse**

Wir haben die Anhaltspunkte im wirtschaftlichen Umfeld von Argentinien, die auf eine Hochinflation hindeuten, beurteilt. Inflationsraten, kumulierte Inflationsraten und die Auswahl von Preisindizes wurden mit externen Quellen verplausibilisiert.

Wir haben die Abgrenzung zwischen monetären und nicht-monetären Posten überprüft, ebenso die Währungsurechnung des Eigenkapitals sowie von Gesamtergebnisrechnung und Cash-flowrechnung.

Weiters haben wir die Ermessensentscheidungen und Annahmen von der Geschäftsführung hinterfragt und dazu Spezialisten eingesetzt, um die verwendeten Modelle und Annahmen mit unserem Branchenwissen sowie unserer Erfahrung abzugleichen.

Die Angaben in den Notes haben wir dahingehend überprüft, ob sie die Effekte aus der Anpassung nach IAS 29 sachgerecht widerspiegeln.

Die Anpassung der Vermögenswerte und Schulden sowie die von den entsprechenden Standards geforderten Angaben sind in Übereinstimmung mit IAS 29.

- **Verweis auf weitergehende Informationen**

Wir verweisen auf den Konzernanhang, Kapitel 2, Note 1, Erläuterungen zur Bilanz, Gewinn- und Verlustrechnung, Gesamtergebnisrechnung und Cash-flowrechnung.

Verantwortlichkeiten der gesetzlichen Vertreter und des Prüfungsausschusses für den Konzernabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Konzernabschlusses und dafür, dass dieser in Übereinstimmung mit den International Financial Reporting Standards (IFRS), wie sie in der EU anzuwenden sind, und den zusätzlichen Anforderungen des § 245a UGB, ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Konzernabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Konzernabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit des Konzerns zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit – sofern einschlägig – anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder den Konzern zu liquidieren oder die Unternehmenstätigkeit einzustellen, oder haben keine realistische Alternative dazu.

Der Prüfungsausschuss ist verantwortlich für die Überwachung des Rechnungslegungsprozesses des Konzerns.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Konzernabschlusses

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob der Konzernabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist, und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Konzernabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.

- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems des Konzerns abzugeben.

- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.

- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit des Konzerns zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Konzernabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr des Konzerns von der Fortführung der Unternehmenstätigkeit zur Folge haben.

- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Konzernabschlusses einschließlich der Angaben sowie ob der Konzernabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.

- Wir erlangen ausreichende und geeignete Prüfungsnachweise zu den Finanzinformationen der Einheiten oder Geschäftstätigkeiten innerhalb des Konzerns, um ein Prüfungsurteil zum Konzernabschluss abzugeben. Wir sind verantwortlich für die Anleitung, Überwachung und Durchführung der Konzernabschlussprüfung. Wir tragen die Alleinverantwortung für unser Prüfungsurteil.

Wir tauschen uns mit dem Prüfungsausschuss unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.

Wir geben dem Prüfungsausschuss auch eine Erklärung ab, dass wir die relevanten beruflichen Verhaltensanforderungen zur Unabhängigkeit eingehalten haben, und tauschen uns mit ihm über alle Beziehungen und sonstigen Sachverhalte aus, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit und – sofern einschlägig – damit zusammenhängende Schutzmaßnahmen auswirken.

Wir bestimmen von den Sachverhalten, über die wir uns mit dem Prüfungsausschuss ausgetauscht haben, diejenigen Sachverhalte, die am bedeutsamsten für die Prüfung des Konzernabschlusses des Geschäftsjahres waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte in unserem Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht in unserem Bestätigungsvermerk mitgeteilt werden sollte, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.

Sonstige gesetzliche und rechtliche Anforderungen

Bericht zum Konzernlagebericht

Der Konzernlagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Konzernabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Konzernlageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Konzernlageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Konzernlagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden, enthält zutreffende Angaben nach § 243a UGB und steht in Einklang mit dem Konzernabschluss.

Erklärung

Angesichts der bei der Prüfung des Konzernabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über den Konzern und sein Umfeld wurden wesentliche fehlerhafte Angaben im Konzernlagebericht nicht festgestellt.

Sonstige Informationen

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen beinhalten alle Informationen im Geschäftsbericht, ausgenommen den Konzernabschluss, den Konzernlagebericht und den Bestätigungsvermerk.

Unser Prüfungsurteil zum Konzernabschluss deckt diese sonstigen Informationen nicht ab, und wir geben keine Art der Zusicherung darauf ab.

In Verbindung mit unserer Prüfung des Konzernabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen und zu überlegen, ob es wesentliche Unstimmigkeiten zwischen den sonstigen Informationen und dem Konzernabschluss oder mit unserem während der Prüfung erlangten Wissen gibt oder diese Informationen sonst wesentlich falsch dargestellt erscheinen. Falls wir, basierend auf den durchgeführten Arbeiten, zur Schlussfolgerung gelangen, dass die sonstigen Informationen wesentlich falsch dargestellt sind, müssen wir dies berichten. Wir haben diesbezüglich nichts zu berichten.

Zusätzliche Angaben nach Artikel 10 der EU-VO

Mit Umlaufbeschluss der Egger Holzwerkstoffe GmbH, St. Johann in Tirol, wurden wir zum Abschlussprüfer für das Geschäftsjahr vom 1. Mai 2018 bis 30. April 2019 gewählt. Wir sind ununterbrochen seit dem Geschäftsjahr 2011/12 Abschlussprüfer.

Wir erklären, dass das Prüfungsurteil im Abschnitt „Bericht zum Konzernabschluss“ mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Artikel 11 der EU-VO in Einklang steht.

Wir erklären, dass wir keine verbotenen Nichtprüfungsleistungen (Artikel 5 Abs. 1 der EU-VO) erbracht haben und dass wir bei der Durchführung der Abschlussprüfung unsere Unabhängigkeit von der geprüften Gesellschaft gewahrt haben.

Auftragsverantwortlicher Wirtschaftsprüfer

Der für die Abschlussprüfung auftragsverantwortliche Wirtschaftsprüfer ist Herr Mag. Horst Bernegger.

Wien, den 15. Juli 2019

PwC Wirtschaftsprüfung GmbH

Mag. Horst Bernegger
Wirtschaftsprüfer

Die Veröffentlichung und Weitergabe des Konzernabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Konzernabschluss samt Konzernlagebericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs. 2 UGB zu beachten.