MORE FROM WOOD.

EGGER

Egger Holzwerkstoffe GmbH

Consolidated Interim Financial Report as of October 31, 2019

Egger Holzwerkstoffe GmbH
St. Johann in Tirol

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We draw attention to the fact that the English translation of these consolidated financial statements, this management report for the Group and this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Contents

The consolidated interim financial statements were prepared in TEUR / MEUR (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,

We are pleased to present our report on the first half of the 2019/20 financial year as of October 31, 2019 – a period that was characterized by a steady high pace of **investment activity**. The internationalization of the EGGER Group which began several years ago has continued with extensive investments in our new plants and the modernization of our existing production facilities. At the end of June 2019, we successfully started operations **in Biskupiec (PL)**, our **19th production location**, and, together with 400 highly motivated and well-trained colleagues, are now able to service customers throughout the region.

Our production facilities reported good capacity utilization during the past six months, with satisfactory **revenues** and earnings at all locations. Against the backdrop of our massive investments and the related, in part not capitalizable development and start-up costs, we recorded revenues of EUR 1,480.6 million (+3.4% versus H1 2018/19) and **EBITDA** of EUR 220.1 million (-4.9% versus H1 2018/19). These results place us on schedule in the realization of our strategic growth steps.

The **EBITDA margin** reflects our long-term target range at 14.9% for the first half of

2019/20, and our **equity ratio** remains high at 37.4% despite the extensive investments.

The operating environment on our key European markets and in Russia was satisfactory during the six months from May to October 2019 and supported our **stable development**. The market in Argentina presented us with numerous challenges due to the very high level of inflation, the devaluation of the Argentine Peso and the related economic recession.

Higher revenues were reported by all EGGER divisions which are involved in the production and marketing of decorative products for furniture and interior design. The **Decorative Products Central Division** generated revenues of EUR 447.0 million (+2.2% versus H1 2018/19). The **Decorative Products West Division** reported an increase of 2.2% in revenues to EUR 364.7 million. Revenues in the **Decorative Products East Division** rose by 6.4% to EUR 455.6 million. Our newest division, **Decorative Products Americas**, increased revenues by +27.1% to EUR 68.8 million. This division includes our South American location in Concordia (AR) as well as market development activities in North America for our plant which is currently under construction in Lexington, NC (US).

The **Flooring Products Division** was responsible for 14.0% of total revenues and, with EUR 231.2 million, recorded a year-on-year increase of 2.6%. The **Other Segment**, which includes the sawmill in Brilon (DE) as well as corporate functions and other independent areas, reported revenues of EUR 88.1 million, or 5.3% of Group revenues. Revenues in this segment were 9.1% lower than the previous year, above all due to lower timber procurement prices at the sawmill in Brilon (DE) and the resulting decline in selling prices for sawmill products.

The **earnings decline** in individual divisions is attributable, in part, to non-capitalizable development and start-up costs for ongoing investment projects as well as higher regional prices for raw materials. The impending Brexit and the latent trade dispute between China and the USA have not had any noticeable negative effects to date.

Prices for the most important **raw materials** used by our Group remained generally stable in the first half of 2019/20. However, individual regions were faced with rising raw material costs and the transfer of these higher costs to selling prices. A further increase in timber prices is also expected over the coming years. We are working to counteract this trend with the long-term protection of supplies through deep backwards integration and efficient procurement and logistics systems as well as a continued focus on high value-added products.

In February 2020, we will present our new **EGGER Decorative Collection 2020–22** to the market.

This global retail collection has made a substantial contribution to our company's success during the past three years. Our latest edition is intended to continue the success story for EGGER and our customers.

Our **outlook for the second half of the 2019/20 financial year is positive** despite the economic weakness that has become evident in some of our markets during the past months. 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. The good process of construction in Lexington, NC, USA, gives us reason to expect that we will be able to start production as planned in the second half of 2020.

The most important contribution to our continuous and sustainable growth was made by our workforce, which has now grown to 9,954 **employees**[1]. We are proud that our EGGER family has continued to grow and develop with our investments. The major projects currently in progress show us just how much we benefit from our group-wide experience and our strong corporate culture.

Our activities in the second half-year will continue to focus on the further improvement of occupational safety and the safety culture at EGGER and on our sustainability performance. With our recycling-based business model and the cascading use of wood, we make an important contribution to climate protection. Our positions, goals and efforts with regard to economical, ecological and social **sustainability** are presented in a separate sustainability report (non-financial statement) which is available on our website www.egger.com/sustainability.

St. Johann in Tirol, December 10, 2019

Walter Schiegl
(CTO, Production / Engineering)

Thomas Leissing
(Speaker of the Managing Board, CFO, Finance / Administration / Logistics)

Ulrich Bühler
(CSO, Sales / Marketing)

The Managing Board

[1] As of 31.10.2019; 12-month rolling average: 9,774 employees.

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 / administration / logistics 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

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

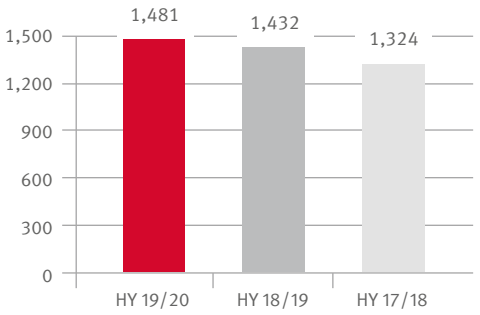
EGGER Managing Board responsible for sales / marketing

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.

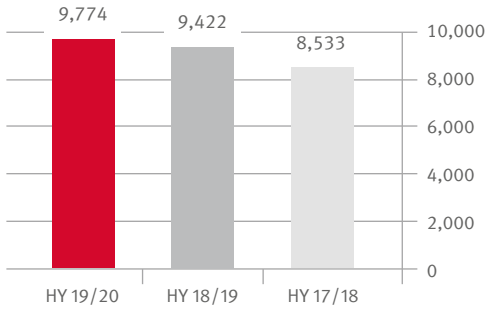
Overview of key data

Key data on the EGGER Group at a glance.

Revenues
(In EUR mill.)



Employees
(Yearly average 12 months roll.)



Earnings Indicators		HY 19/20	HY 18/19	HY 17/18
Revenues	EUR mill.	1,480.6	1,432.0	1,324.0
Adjusted EBITDA	EUR mill.	220.1	231.4	222.5
Adjusted EBITDA margin	in %	14.9%	16.2%	16.8%
EBITDA	EUR mill.	220.1	250.6	222.5
EBITDA margin	in %	14.9%	17.5%	16.8%
EBIT	EUR mill.	119.7	101.5	126.8
Profit before tax (PBT)	EUR mill.	110.2	90.3	104.9
Profit after tax (PAT)	EUR mill.	79.7	58.1	84.3

The amounts reported for HY 2017/18 and HY 2018/19 were adjusted to reflect the application of IAS 29. Further the amounts reported for HY 2018/19 were adjusted to reflect the application of IAS 12.

Consolidated Balance Sheet		31.10.2019	30.04.2019	30.04.2018
Balance sheet total	EUR mill.	3,262.6	3,141.3	2,640.7
thereof non-current assets	EUR mill.	2,303.9	2,092.9	1,868.1
Equity (including subsidies)	EUR mill.	1,218.9	1,157.0	1,078.5

Treasury Key Figures		31.10.2019	30.04.2019	30.04.2018
Equity ratio	in %	37.4%	36.8%	40.8%
Net Debt	EUR mill.	1,042.0	953.0	778.3
Net debt / adjusted EBITDA	years	2.52	2.24	1.75

Operating EBITDA without appreciation IAS 29 FY 2017/18 and FY 2018/19.

Value Management		31.10.2019	30.04.2019	30.04.2018
EBITDA rolling 12 months	EUR mill.	413.7	425.0	445.8
Historical capital employed	EUR mill.	4,900.4	4,675.5	4,185.3
CFROI	in %	8.4%	9.1%	10.7%

Operating EBITDA without appreciation IAS 29 in FY 2017/18 and FY 2018/19.


Coffee Classics
Caffè Latte 2,40
Cappuccino 2,10
Café Mocha 2,30
Caramel Macchiato 2,50
White Caffè Mocha 2,70
Caffè Americano 2,20
Hotties
Hot Chocolate 2,30
White Chocolate 2,50
Chai Latte 2,50
Creamy Apple Pie 2,80
Ginger Apple Tea 2,50
Honey Steamer 2,30
Smoothies
Coral Sea Crush 3,20
Raspberry Romance 3,30
Milkshakes 2,80
Food
Cakes 2,70
Muffins 1,80

Management Report

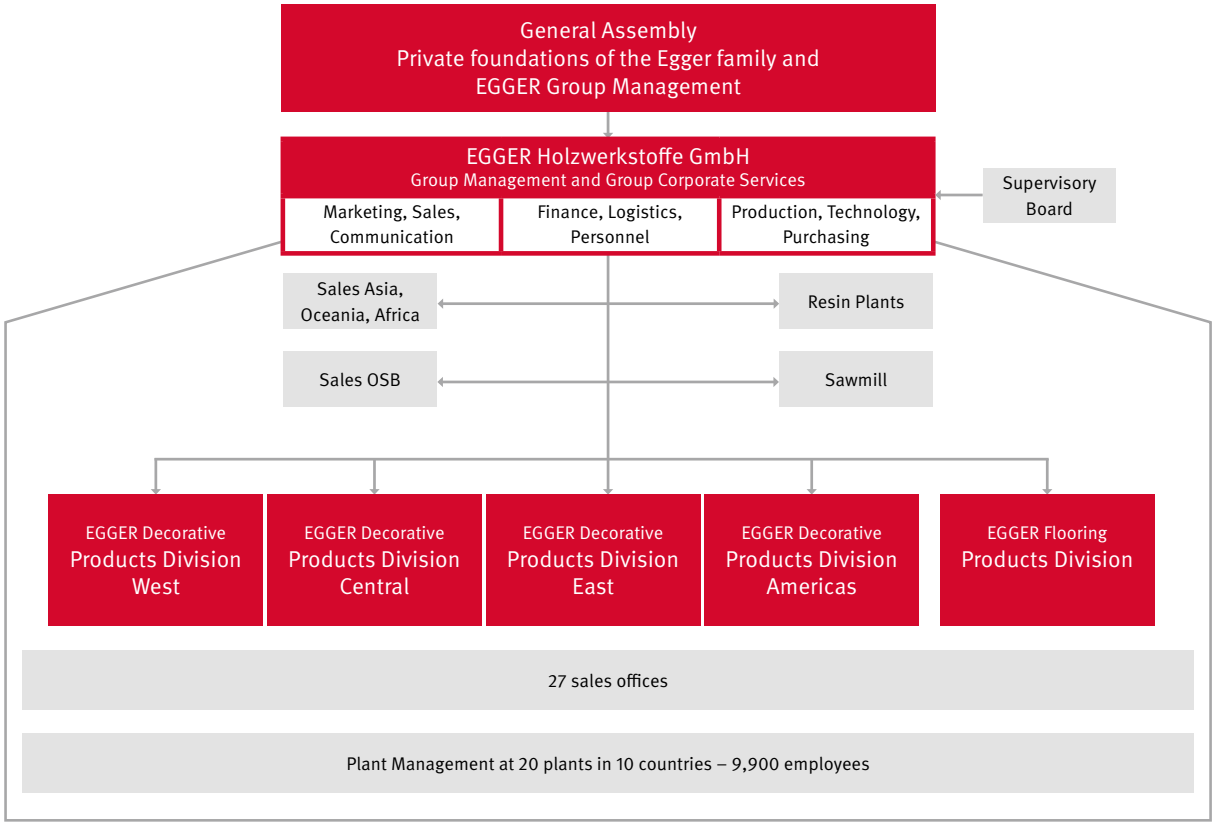
on the Consolidated Interim Financial Statements as of October 31, 2019

of Egger Holzwerkstoffe GmbH, St. Johann i. T.,
for the 2019/20 Financial Year

1 Business and operating environment

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) which are allocated to the respective divisional organizations.



Simplified organizational structure of the EGGER Group

The members of the **Managing Board** of the parent company, EGGER Holzwerkstoffe GmbH, are Thomas Leissing (Corporate Speaker, CFO, Finance / Administration / Logistics), Walter Schiegl (CTO, Production / Engineering) and Ulrich Bühler (CSO, Sales / Marketing).

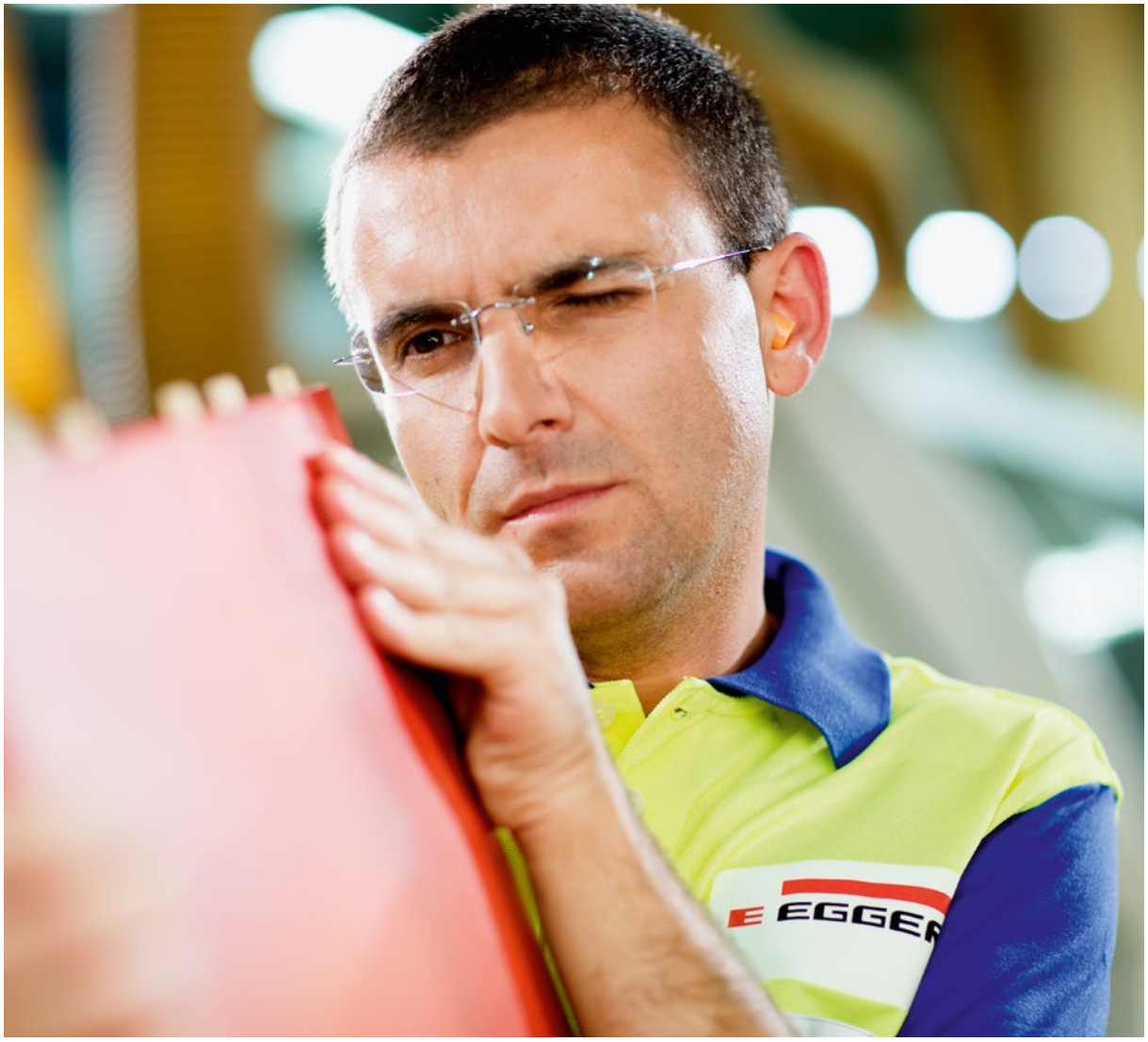
The **Supervisory Board** supports the Managing Board on strategic issues.

In addition to representatives of the owners, Fritz Egger (Chairman of the Supervisory Board) and Michael Egger, the Supervisory Board also includes Robert Briem, Ewald Aschauer (Chairman of the Audit Committee), Michael Stiehl and Alfred Wurmbrand.

Cooperation between the Managing Board and Supervisory Board takes place in the form of quarterly 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 / engineering, marketing / sales, logistics / finance / 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.

This report includes the initial presentation of the EGGER Decorative Products Americas Division. It includes our plant in Concordia, Argentina as well as the plant in Lexington, NC, USA, which is currently under construction and our sales activities in North and South America.

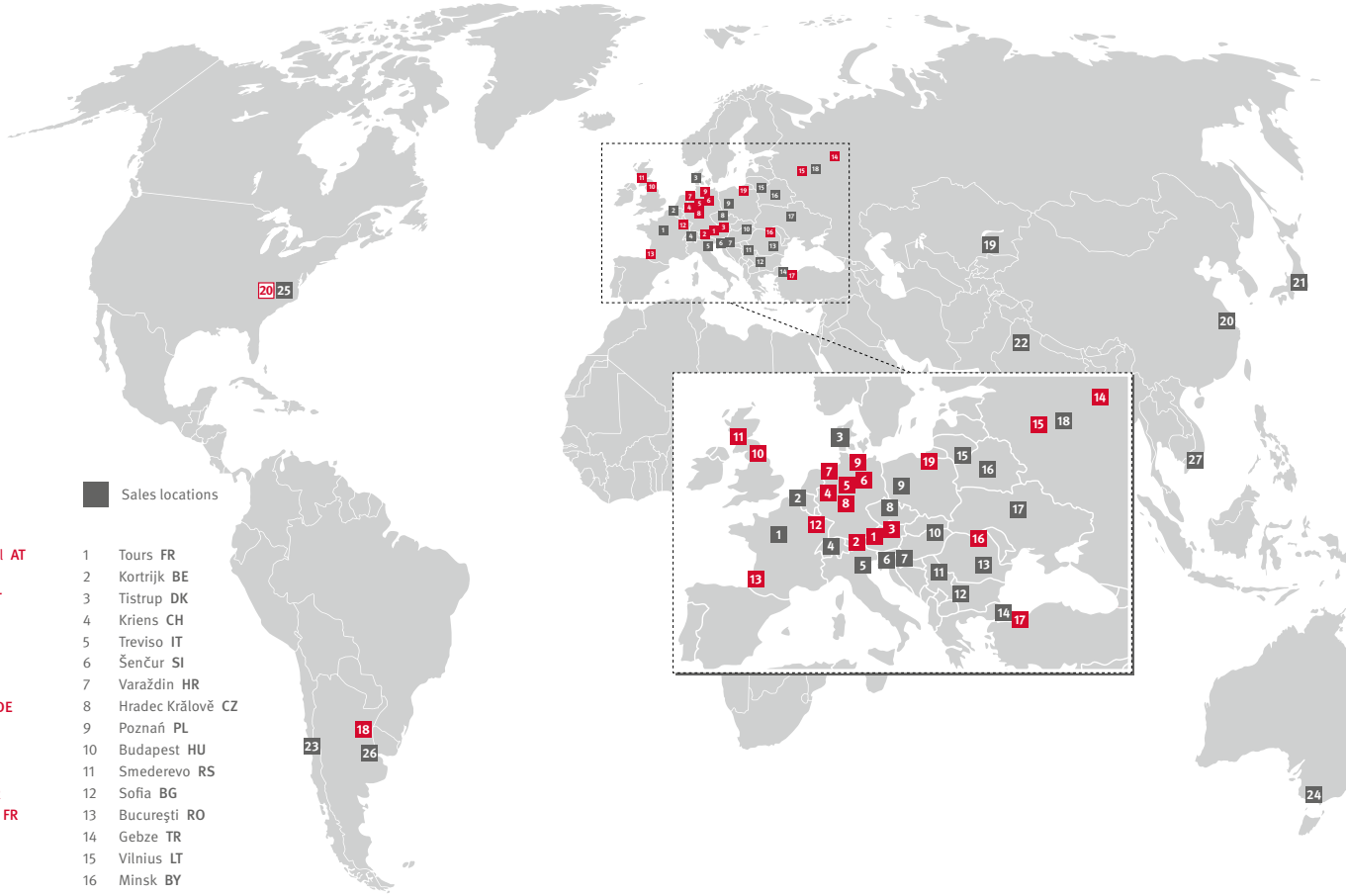


1.2 Operating segments and market structure

Under the EGGER umbrella brand, we combine an extensive range of products that are used in numerous private and public sector applications that include 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 **19 locations in nine 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 and Argentina, 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 Rădăuți **RO**
17 Gebze **TR**
18 Concordia **AR**
19 Biskupiec **PL**

In planning/ under construction

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 Králově **CZ**
9 Poznań **PL**
10 Budapest **HU**
11 Smederevo **RS**
12 Sofia **BG**
13 București **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 products, divisions and regional markets. The largest product area is **decorative products** (wood-based materials as well as accessories for decorative furniture and interior design). These products are produced and sold in the in the EGGER Decorative Products West, Central, East, and Americas Divisions.

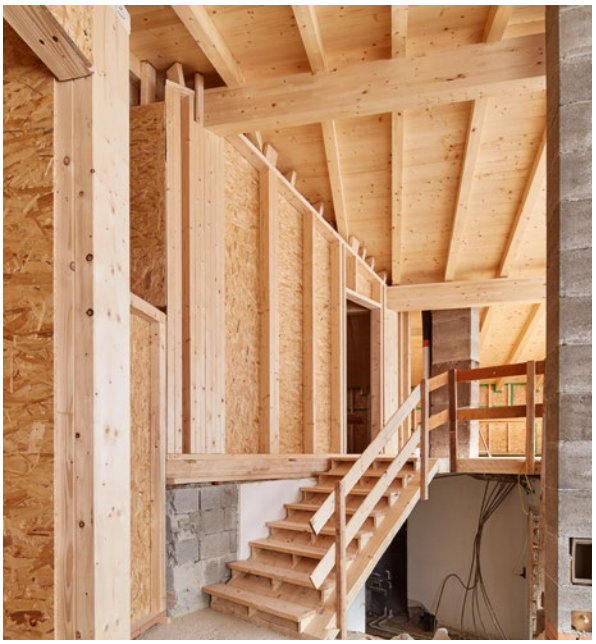
Another product area focuses on **flooring products** and is organized in the EGGER Flooring Products Division which produces and sells laminate flooring, comfort and design flooring.

Independent sales organizations are responsible for marketing **building products** like OSB boards and sawn timber products.

Flooring Products

Decorative Products

Building Products



We also classify our customer groups by market in the following sales channels and branches:

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

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

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

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 cross-border business activities are closely connected with the general **development of the economy** and the gross domestic product (GDP). 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 sales of OSB and 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. The major 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 global economic slowdown during the last three quarters of 2018 was followed by continuing weakness in 2019. Production, in particular, has lost considerable momentum. Rising tensions over global trade (above all, China/USA) and geopolitical issues have led to growing uncertainty over the future of the worldwide trading system and the foundation of international cooperation.
This uncertainty has had a negative effect on corporate confidence, investment decisions and global trade.
A shift towards stronger monetary adaptation – through both active measures and communication – is currently moderating the effects of these tensions on the mood and activity of the financial markets, while a generally robust service sector is supporting an increase in employment.

The short-term outlook remains reserved: Forecasts show only a slow increase in global growth to 3.4% by 2020.
It will be based, above all, on an expected improvement in economic performance in a number of emerging countries in Latin America, the Near East and Europe. Uncertainty over the outlook for many of these countries, the forecasted slowdown in China and the USA as well as substantial downward risks could, however, substantially reduce the speed of global activity.

(Source: WEO 2019 10)

Growth rates for real GDP (gross domestic product) in%	2016	2017	2018	2019	2020	2021	2022
World	3.4	3.8	3.6	3.0	3.4	3.6	3.6
Industrial countries	1.7	2.5	2.3	1.7	1.7	1.6	1.6
Emerging / developing countries	4.6	4.8	4.5	3.9	4.6	4.8	4.8
European Union	2.1	2.8	2.2	1.5	1.6	1.7	1.6
Euro zone	**1.9**	**2.5**	**1.9**	**1.2**	**1.4**	**1.4**	**1.4**
Latin America	−0.6	1.2	1.0	0.2	1.8	2.4	2.6
Argentina	−2.1	2.7	−2.5	−3.1	−1.3	1.4	2.3
Brazil	−3.3	1.1	1.1	0.9	2.0	2.4	2.4
Austria	2.0	2.6	2.7	1.6	1.7	1.6	1.6
Belgium	1.5	1.7	1.4	1.2	1.3	1.3	1.3
China	6.7	6.8	6.6	6.1	5.8	5.9	5.7
Czech Republic	2.5	4.4	3.0	2.5	2.6	2.6	2.5
France	1.1	2.3	1.7	1.2	1.3	1.3	1.4
Germany	2.2	2.5	1.5	0.5	1.2	1.4	1.3
Greece	−0.2	1.5	1.9	2.0	2.2	1.7	1.3
Italy	1.1	1.7	0.9	0.0	0.5	0.8	0.7
Japan	0.6	1.9	0.8	0.9	0.5	0.5	0.5
Netherlands	2.2	2.9	2.6	1.8	1.6	1.5	1.5
Poland	3.1	4.9	5.1	4.0	3.1	2.7	2.5
Romania	4.8	7.0	4.1	4.0	3.5	3.0	3.0
Russia	0.3	1.6	2.3	1.1	1.9	2.0	2.0
Spain	3.2	3.0	2.6	2.2	1.8	1.7	1.7
Turkey	3.2	7.5	2.8	0.2	3.0	3.0	3.0
Great Britain	1.8	1.8	1.4	1.2	1.4	1.5	1.5
USA	1.6	2.4	2.9	2.4	2.1	1.7	1.6

(Source: WEO data base 2019 10)

1.3.3 The construction industry and renovation activity in Europe

The European construction sector is expected to again experience weaker growth in 2019. After an increase of 4.2% in 2017 and 3.1% in 2018, the EUROCONSTRUCT experts are predicting a drop to nearly 2% in 2019 – whereby a decline in construction activity is only expected in Sweden and Finland. The pace of growth in the 19 member countries of the EUROCONSTRUCT network is expected to slow to roughly 1.5% by 2021. With a market share of 45%, the civil engineering sector will make a stronger-than-expected contribution to construction during the three years from 2019 to 2021. The number of apartment completions should increase significantly in 2019 and also reach roughly 1.8 million units in the coming years. Residential construction, in general, will continue to lose momentum, but the remaining sectors in building construction should also see nearly moderate growth up to 2021. The impulses for construction activities will still be provided, in particular, by the demand for housing and favorable financing conditions as well as a strong need for action in the areas of traffic and energy infrastructure.

(Source: ifo Schnelldienst 13/2019
on the EUROCONSTRUCT summer conference 2019)

1.3.4 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-based materials, wood construction and laminated flooring.

The competitive situation for decorative wood materials

Developments in 2019, especially in the surfaces branch, reflected the previous year with numerous changes. 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 2019: 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. New investments and expansion projects in Poland and the neighboring European countries – including projects by EGGER – will support a steady increase 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. Arauco has opened a chipboard plant in Grayling, MI, and Kronospan has started operations with a new chipboard line in Oxford, AL. Our investments in Lexington, NC, are continuing. Georgia Pacific has announced the shutdown of three older wood materials locations.

(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 positive development is currently 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: PVC 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 in Asia and North America. Growth is forecasted for the laminate flooring market in China, and LVT flooring has already outpaced laminate flooring with regard to market share in the USA – and the trend is pointing upward.

The competitive situation for construction products

The general demand for OSB products in the European countries leveled off in 2019 after peaking in 2018. 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 capacity for new residential construction has been largely exhausted. More than ever, the demands of the market are concentrating on strong fabricators and industrial production.

1.3.5 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 raw materials. 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. Raw materials supplies are generally purchased from long-term partners.

Prices on the major raw materials markets followed different trends during the first half of 2019/20. The average **purchase price for timber** declined slightly in comparison with the first half of the previous year, whereby the individual regions and plants were faced with different fluctuations and influencing factors. In the area of **chemicals procurement**, urea prices were higher but melamine and methanol prices declined. Paper prices for the Group were stable during the first half-year.

Energy procurement prices, above all for electricity, were also higher on average for the Group during the first half of 2019/20. We support the cascading use of wood by converting non-recyclable biogenic fuels into heat and green electricity. In this way, we minimize the use of fossil fuels as far as possible. Our plants in Unterradlberg (AT), Wismar (DE), Brilon (DE), Rambervillers (FR) and Radauti (RO) produce electricity with their own combined power and heat generation equipment and thereby maximize energy generation efficiency.

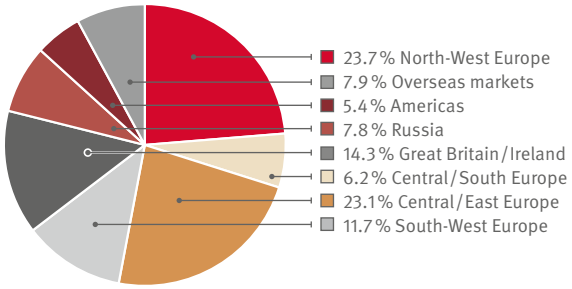
1.3.6 Business development

The EGGER Group recorded **consolidated revenues** of EUR 1,480.6 million in the first half of 2019/20, for a year-on-year increase of 3.4%.

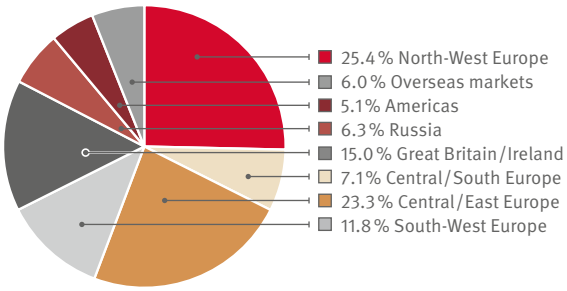
The retail trade and industry were also the most important **sales channels** during the reporting period with 52.2% and 39.6%, respectively, of consolidated revenues (H1 2018/19: 50.9% and 41.9%). This shift in favor of the retail trade reflects our strategy. The share of revenues generated in the DIY sales channel rose from 7.2% to 8.2%.

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 (HY 2019/2020)



Revenues by Sales Region (HY 2018/2019)



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 America covers North and South America
6 The Overseas region covers all other countries outside Europe

EGGER's most important geographic market is Western Europe (sales regions: North-West Europe, Great Britain and Ireland, South-West Europe and Central-South Europe) with revenues totaling EUR 826.4 million (55.8% of Group revenues). The significance of Germany for the wood materials market is based, above all, on the kitchen and 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.

Central and Eastern Europe plus Russia represent another important market region with total revenues of EUR 457.8 million (30.9% of Group revenues).

The countries outside Europe (North/South America and the Overseas region) are playing an increasingly important role for EGGER. Revenues in this region amounted to EUR 196.4 million (13.3% of Group revenues) in the first half of 2019/20.

1.3.7 Business development in H1 2019/20 by division

Decorative products for furniture and interior design were responsible for 80.7% of Group revenues in the first half of 2019/20. Revenues in this product area rose by 4.7% year-on-year to EUR 1,336.1 million[2] (H1 2018/19: EUR 1,276.7 million).

The **Flooring Products Division** generated 14.0% of Group revenues and reported an increase of 2.6% over the previous year to EUR 231.2 million (H1 2018/19: EUR 225.3 million).

The **Other Segment** recorded revenues of EUR 88.1 million, or 5.3% of Group revenues, for a year-on-year decline of 9.1%. Declining timber prices led to a drop in the selling prices for sawmill products, and our sawmill in Brilon (DE) consequently recorded lower revenues in spite of good volume sales.

Revenues by Segment / Division		HY 2019/2020	HY 2018/2019	HY 2017/2018	Dev. in % HY 2020–2019
Decorative Products Central	EUR mill.	447.0	437.4	426.9	2.2%
Decorative Products West	EUR mill.	364.7	357.0	329.9	2.2%
Decorative Products East	EUR mill.	455.6	428.2	420.8	6.4%
Decorative Products Americas	EUR mill.	68.8	54.2	13.8	27.1%
Flooring Products	EUR mill.	231.2	225.3	215.2	2.6%
Others	EUR mill.	88.1	96.9	79.2	–9.1%
Total (unconsolidated)	**EUR mill.**	**1,655.4**	**1,599.0**	**1,485.9**	**3.5%**
Consolidation	EUR mill.	–174.8	–167.0	–161.9	4.6%
Total	**EUR mill.**	**1,480.6**	**1,432.0**	**1,324.0**	**3.4%**

Share of unconsolidated Revenues		HY 2019/2020	HY 2018/2019	HY 2017/2018
Decorative Products Central	in %	27.0%	27.4%	28.7%
Decorative Products West	in %	22.0%	22.3%	22.2%
Decorative Products East	in %	27.5%	26.8%	28.3%
Decorative Products Americas	in %	4.2%	3.4%	0.9%
Flooring Products	in %	14.0%	14.1%	14.5%
Others	in %	5.3%	6.1%	5.3%
Total	in %	**100.0%**	**100.0%**	**100.0%**

[2] External and internal revenues (sales to other EGGER segments)

1.3.8 Market developments in the furniture and interior design business

Furniture and interior design (decorative wood-based materials) was responsible for 80.7% of our total revenues in the first half of 2019/20. Revenues in this business rose by 4.7% year-on-year, where by a major part of this growth came from a significant improvement in the USA, where activities are currently focused on market development, and from the overseas business.

A substantial improvement in revenues was also recorded in Russia and – due to the start of operations at our new production location in Biskupiec – in Poland and the Baltic States. In Western Europe, revenues were higher in Italy, Spain and Great Britain. Lower revenues were recorded, in part, in Germany, France and Austria.

1.3.9 Market developments in the flooring business

Revenues from the sale of our flooring products rose by 2.6% year-on-year in the first half of 2019/20. Lower sales volumes in individual West European countries (e.g. Germany, Benelux, Great Britain and Italy) were offset by in part substantially higher revenues in Russia, Ukraine, France and China.

1.3.10 Market developments in the construction products business

Sales volumes of our OSB products rose by 4.6% year-on-year in the first half of 2019/20, but lower selling prices led to a decline of 6.3% in revenues. This negative development was strongest in Turkey, Italy and Ukraine. It was contrasted by substantial revenue growth in China, Poland, Germany and Great Britain. Sales volumes of sawmill products were stable, but lower selling prices also led to a decline in revenues in this business.

2 Earnings, financial and asset position

2.1 Earnings

2.1.1 Revenues

The EGGER Group recorded consolidated revenues of EUR 1,480.6 million in the first half of 2019/20 (H1 2018/19: EUR 1,432.0 million), which represents a year-on-year increase of +3.4%. All segments, with the exception of the Other Segment, contributed to this growth.

A detailed description of the development of business in the individual divisions during the reporting year is provided under points 1.3.7 to 1.3.10.

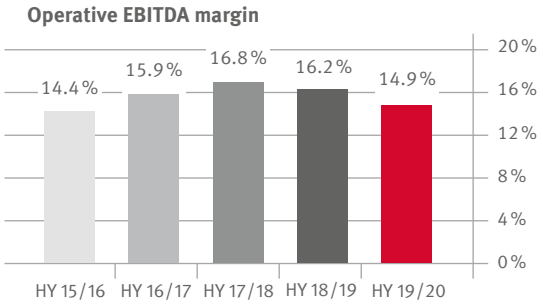
2.1.2 Earnings

Earnings Indicators		HY 2019/2020	HY 2018/2019	HY 2017/2018	Dev. in % HY 2020–2019
Revenues	EUR mill.	1,480.6	1,432.0	1,324.0	3.4%
Adjusted EBITDA	EUR mill.	220.1	231.4	222.5	–4.9%
Adjusted EBITDA margin	in %	14.9%	16.2%	16.8%	
EBITDA	EUR mill.	220.1	250.6	222.5	–12.2%
EBITDA margin	in %	14.9%	17.5%	16.8%	
EBIT	EUR mill.	119.7	101.5	126.8	17.9%
Financial results *	EUR mill.	–9.5	–11.2	–21.9	–15.4%
Profit before tax (PBT)	EUR mill.	110.2	90.3	104.9	22.1%
Profit after tax (PAT)	EUR mill.	79.7	58.1	84.3	37.1%

The amounts reported as of April 30, 2018 and as of April 30, 2019 were adjusted to reflect the application of IAS 29.
Further are the amounts reported as of April 30, 2019 were adjusted to reflect the application of IAS 12.
* Includes income from financial investments and associates

Operating EBITDA (earnings before interest, taxes, depreciation and amortization) totaled EUR 220.1 million in the first half of 2019/20 and was slightly lower than the adjusted[3] operating EBITDA of EUR 231.4 reported in the first half of 2018/19 (–4.9%).

The EBITDA margin reflected the long-term target range at 14.9% in the first half of 2019/20 (H1 2018/19: 16.2%), but was lower than previous years due to development and start-up losses in Poland and the USA.



[3] The application of IAS 29 is presented on an adjusted basis in previous periods.

Earnings before interest and taxes (EBIT) rose from EUR 101.5 million in the first half of the previous year to EUR 119.7 million. This improvement reflected the write-off of goodwill at our Concordia plant (AR) in the previous year.

2.1.3 Development of earnings in the segments / divisions

EBITDA by Segment/Division		HY 2019/2020	HY 2018/2019	HY 2017/2018	Dev. in % HY 2020–2019
Decorative Products Central	EUR mill.	88.0	80.4	76.6	9.4%
Decorative Products West	EUR mill.	50.7	55.6	60.1	–8.7%
Decorative Products East	EUR mill.	79.0	86.2	89.0	–8.3%
Decorative Products Americas	EUR mill.	–2.4	1.5	1.1	–263.8%
Flooring Products	EUR mill.	18.9	20.5	12.9	–8.2%
Others	EUR mill.	–14.1	–12.8	–17.2	10.4%
Total	**EUR mill.**	**220.1**	**231.4**	**222.5**	**–4.9%**

The amounts reported as of April 30, 2018 and as of April 30, 2019 were adjusted to reflect the application of IAS 29.

2.1.3.1 Development of earnings in the EGGER Decorative Products Divisions

EBITDA in the **EGGER Decorative Products Divisions** (Central, West, East and Americas) declined by 3.7% from EUR 223.6 million to EUR 215.3 million. A regional analysis by segment shows the following situation:

Operating EBITDA in the **Decorative Products Central** Division rose by 9.4% from EUR 80.4 million to EUR 88.0 million. This increase was supported primarily by our production locations in Germany, but also by increases at our main plant in St. Johann in Tirol (AT).

EBITDA in the **Decorative Products West** Division declined by 8.7% from EUR 55.6 million to EUR 50.7 million. The main cause for this reduction was a margin loss which resulted from rising raw material prices in the British plants. Uncertainties related to the upcoming Brexit have not played a noticeable role to date.

In the **Decorative Products East** Division, EBITDA fell by 8.3% from EUR 86.2 million to EUR 79.0 million. This decline resulted from non-capitalizable start-up costs at our new plant in Biskupiec (PL) and margin losses due to rising raw material costs at the Romanian plant in Radauti.

The **Decorative Products Americas** Division reported negative EBITDA of EUR –2.4 million. This amount includes the market- and foreign exchange-related weaker results from our Argentine plant in Concordia as well as non-capitalizable start-up costs from our plant in Lexington, NC (US) which is currently under construction.

2.1.3.2 Development of earnings in the EGGER Flooring Products Division

The development of earnings in the EGGER Flooring Products Division is still influenced by substantial excess production capacity and the resulting pressure on prices as well as predatory competition with LVT flooring. The market environment therefore remained extremely difficult during the first half of 2019/20.

EBITDA in the EGGER Flooring Products Division totaled EUR 18.9 million in the first half of 2019/20, which represents a year-on-year decline of 8.2% (H1 2018/19: EUR 20.5 million). It reflects the shift from higher margin revenues in Western Europe to lower margin revenues in Eastern Europe and China as well as a lower share of EGGER collection merchandise.

2.1.3.3 Development of earnings in the Other Segment

In the Other Segment, which covers corporate functions and other areas, the negative EBITDA increased from EUR –12.8 million to EUR –14.1 million (–10.4%). This deterioration resulted primarily from higher costs for corporate functions.

2.1.4 Financial results

Financial results (incl. income from financial investments and associates) amounted to EUR –9.5 million in the first half of 2019/20 (H1 2018/19: EUR –11.2 million). The year-on-year improvement is attributable to the decline in interest expense which followed the redemption of a bond at the beginning of October (only five instead of six months). In addition, foreign exchange results included substantially fewer negative effects compared with 2018/19.

2.1.5 Taxes

Income tax expense amounted to EUR 30.5 million in the first half of 2019/20 (H1 2018/19: EUR 32.1 million). Pre-tax profit was higher at EUR 110.2 million (H1 2018/19: EUR 90.3 million) because the reporting period, in contrast to the first half of 2018/19, did not include any effects from the application of IAS 29. Income tax expense was also lower due to the decline in taxable earnings.

2.2 Financial position

2.2.1 Financing and treasury

The primary goals of financial management/ treasury in our Group are to **limit the financial risks** that may impair the company's continued existence (liquidity and default risks) and to **protect earning power** (foreign exchange, interest rate, market and price risks), while ensuring 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 the 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 Key Figures		31.10.2019	30.04.2019	30.04.2018
Equity ratio	in %	37.4%	36.8%	40.8%
Net debt / adjusted EBITDA *	years	2.52	2.24	1.75

* Operating EBITDA without appreciation IAS 29 in FY 2017/18 and FY 2018/19.

The increase in the debt repayment period from 2.24 to 2.52 years as of October 31, 2019 is attributable to the higher level of investments. In spite of these massive expenditures, the equity ratio remained at a good level and increased slightly to 37.4%.

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 150 million was concluded in September 2019 and the funds were released at the end of September 2019. As of October 31, 2019, EGGER had EUR 200 million of committed credit lines at its disposal.

The **second component** comprises **capital market financing**. Our group has successfully used the bond market as a financing source for many years. The EGGER Group now has one perpetual bond with a volume of EUR 150 million on the market. Promissory note loans with an outstanding volume of EUR 638.5 million as of October 31, 2019 were placed in recent years.

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

Derivative financial instruments are used only to hedge risk positions in underlying transactions.

Maturity Profile Financial Liabilities ans Bonds		**31.10.2019**	**30.04.2019**	**30.04.2018**
Remaining term over 5 years	EUR mill.	538.1	525.3	357.0
Remaining term 1 – 5 years	EUR mill.	793.6	636.6	540.0
Remaining term under 1 year	EUR mill.	51.2	235.7	93.4
Total	**EUR mill.**	**1,382.9**	**1,397.6**	**990.4**

2.2.3 Cash flow

Based on gross cash flow and after the inclusion of changes in net working capital, cash flow from operating activities totaled EUR 239.9 million in the first half of 2019/20 (H1 2018/19: EUR 180.3 million).

Cash Flow Statement		HY 2019/2020	HY 2018/2019	HY 2017/2018	Dev. in % HY 2020–2019
Gross Cash Flow	EUR mill.	198.0	200.2	191.7	–1.1%
Cash Flow from changes in net current asset	EUR mill.	41.9	–19.9	–58.0	–310.6%
Cash Flow from operating activities	EUR mill.	239.9	180.3	133.7	33.1%
Cash Flow from investing activities	EUR mill.	–283.0	–238.5	–267.7	18.6%
Cash Flow from financing activities	EUR mill.	–60.9	87.7	120.4	–169.4%
Net change in cash and cash equivalents	**EUR mill.**	**–103.9**	**29.5**	**–13.6**	**–452.2%**

Cash flow from investing activities (cash outflows for investments and acquisitions plus cash inflows from the disposal of property, plant and equipment) totaled EUR 283.0 million in the first half of 2019/20 and was 18.6% higher than the prior year level of EUR 238.5 million. Most of these funds were used for the construction of the new plant in Lexington, NC (US), but this amount also includes expenses for the new plant in Biskupiec (PL) and modernization projects in our existing plants – above all in Germany and Austria.

Cash flow from financing activities involved cash outflows of EUR 60.9 million in the first half of 2019/20 (H1 2018/19: cash inflows of EUR 87.7 million).

Based on cash flow from operating activities after the deduction of cash flow from investing activities and the addition of growth investments, free cash flow equaled EUR 186.3 million:

Free Cash Flow Statement		HY 2019/2020	HY 2018/2019	HY 2017/2018	Dev. in % HY 2020–2019
Cash Flow from operating activities	EUR mill.	239.9	180.3	133.7	33.1%
Cash Flow from investing activities	EUR mill.	–283.0	–238.5	–267.7	18.6%
+ Growth Investment	EUR mill.	229.3	202.5	228.1	13.2%
Free Cash Flow	**EUR mill.**	**186.3**	**144.3**	**94.1**	**29.1%**

2.2.4 Investments

Investments in intangible assets, property, plant and equipment and acquisitions – excluding payments received from the disposal of property, plant and equipment – totaled EUR 297.4 million in the first half of 2019/20 (H1 2018/19: EUR 242.9 million).

Of this total, EUR 68.1 million (H1 2018/19: EUR 40.4 million) represents maintenance investments.

Investments by objective:

Investment (incl. acquisitions)		HY 2019/2020	HY 2018/2019	HY 2017/2018
Maintenance investment	EUR mill.	68.1	40.4	36.3
Growth investment (incl. acqu.)	EUR mill.	229.3	202.5	228.1
Investment total	**EUR mill.**	**297.4**	**242.9**	**264.4**

In the first half year 2019/2020 a value of 19.3 EUR mill. for leased assets is included due to the first-time application of IFRS 16.

A total of EUR 229.3 million was spent on growth investments and acquisitions during the first half of 2019/20 (H1 2018/19: EUR 202.5 million). The most important investments during this period were the completion of the greenfield project in Biskupiec (PL) and the continuation of the greenfield project in Lexington, NC (US). Investments were also made in the modernization of production and logistics equipment at nearly all larger locations, e.g. St. Johann (AT) and Brilon (DE).

Investments by division:

Investment (incl. acquisitions)		HY 2019/2020	HY 2018/2019	HY 2017/2018
Decorative Products Central	EUR mill.	39.0	38.8	24.0
Decorative Products West	EUR mill.	27.0	23.5	30.6
Decorative Products East	EUR mill.	53.0	138.3	77.0
Decorative Products Americas	EUR mill.	158.7	23.4	114.1
Flooring Products	EUR mill.	12.8	17.2	13.2
Others	EUR mill.	6.9	1.7	5.6
Total Investments	**EUR mill.**	**297.4**	**242.9**	**264.4**

In the first half year 2019/2020 a value of 19.3 EUR mill. for leased assets is included due to the first-time application of IFRS 16.

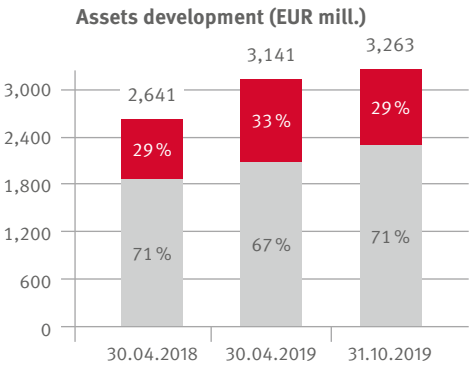
2.3 Assets

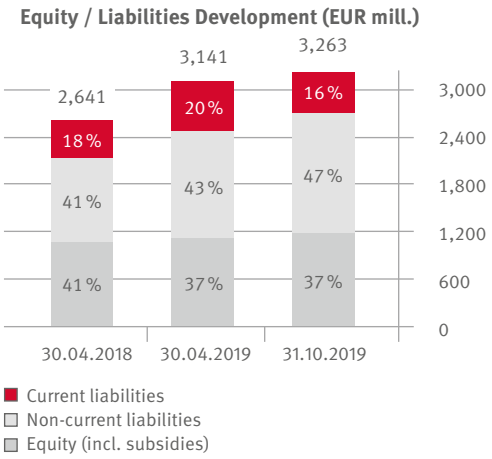
2.3.1 Analysis of the balance sheet structure

The balance sheet total rose by EUR 121.3 million over the level on April 30, 2019 (EUR 3,141.3 million) to EUR 3,262.6 million as of October 31, 2019, primarily due to the increase in tangible assets for the completion of plant construction in Biskupiec (PL) and progress on the greenfield investment in Lexington, NC (US).

Balance Sheet Development		31.10.2019	30.04.2019	30.04.2018	Dev. in % HY 2020–19
Non-current assets	EUR mill.	2,303.9	2,092.9	1,868.1	10.1%
Inventories	EUR mill.	416.8	419.8	385.2	–0.7%
Receivables	EUR mill.	116.1	95.9	93.7	21.0%
Cash and cash equivalents	EUR mill.	340.9	444.5	212.0	–23.3%
Other current assets	EUR mill.	84.9	88.1	81.7	–3.6%
Balance sheet total	**EUR mill.**	**3,262.6**	**3,141.3**	**2,640.7**	**3.9%**
Equity (including subsidies)	EUR mill.	1,218.9	1,157.0	1,078.5	5.4%
Provisions	EUR mill.	194.4	181.4	160.2	7.2%
Non-current financial liabilities / bonds	EUR mill.	1,331.7	1,161.9	897.0	14.6%
Current financial liabilities / bonds	EUR mill.	51.2	235.7	93.4	–78.3%
Other liabilities	EUR mill.	466.4	405.4	411.7	15.1%

The amounts reported as of April 30, 2018 and as of April 30, 2019 were adjusted to reflect the application of IAS 29.

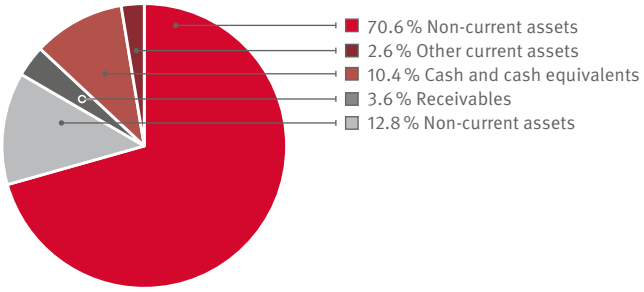




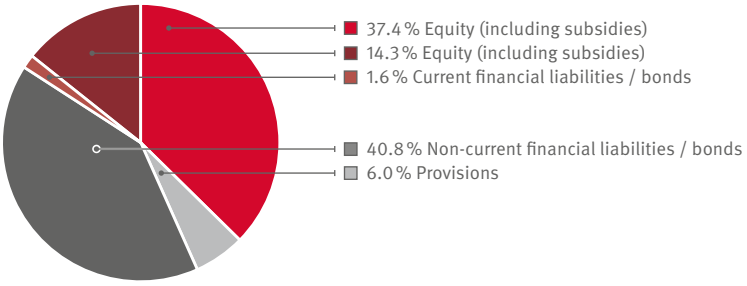
Non-current assets rose to EUR 2,303.9 million as of October 31, 2019 (April 30, 2019: EUR 2,092.9 million) due to the above-mentioned investment and acquisition activity. The high share of non-current assets, which totaled 70.6% as of that date (April 30, 2019: 66.6%), reflects the high capital intensity of the Group's production and is common for the branch.

The following diagram shows the balance sheet structure as of October 31, 2019:

Structure Assets 31.10.2019



Structure Equity/Liabilities 31.10.2019



2.3.2 Working capital

Working capital (inventories plus trade receivables less trade payables) declined from EUR 262.4 million on April 30, 2019 by EUR –16.3 million to EUR 246.1 million as of October 31, 2019.

Working Capital		31.10.2019	30.04.2019	30.04.2018	Abw. in % HY 2020–2019
Inventories	EUR mill.	416.8	419.8	385.2	–0.7%
+ Receivables	EUR mill.	116.1	95.9	93.7	21.0%
– Trade payables	EUR mill.	286.8	253.3	240.4	13.2%
Working Capital	**EUR mill.**	**246.1**	**262.4**	**238.5**	**–6.2%**
Revenues rolling 12 months	EUR mill.	2,890.2	2,841.5	2,690.1	1.7%
Working Capital in % of revenues	in %	8.5%	9.2%	8.9%	

Inventories declined slightly from April 30, 2019 to October 31, 2019 despite additional volumes for the new plant in Biskupiec (PL). The decisive factor here was the group-wide reduction in raw material costs, above all for timber. Inventories totaled EUR 416.8 million as of October 31, 2019.

Trade receivables rose by 21.0% from EUR 95.9 million on April 30, 2019 to EUR 116.1 million as of October 31, 2019. This increase resulted primarily from a higher balance of revenues at the new plant in Biskupiec (PL) and from market development activities for our plant in Lexington, NC (US).

In addition, less receivables had been sold through the factoring program as of October 31, 2019.

Trade payables rose by 13.2% from EUR 253.3 million to EUR 286.8 million as of October 31, 2019.

2.3.3 Liquidity / net debt

Interest-bearing liabilities (financial liabilities and bonds) totaled EUR 1,382.9 million as of October 31, 2019 (April 30, 2019: EUR 1,397.6 million) and included a long-term financing component of 96.3% (April 30, 2019: 83.1%). All financing agreements were concluded in Euros.

Net debt rose by 9.3%, or EUR 89.0 million, to EUR 1,042.0 million as of October 31, 2019 (April 30, 2019: EUR 953.0 million).

The increase resulted primarily from higher payments related to the construction of plants in Biskupiec (PL) and Lexington, NC (US).

Net Debt		31.10.2019	30.04.2019	30.04.2018	Dev. in % HY 2020–2019
Financial liabilities and bonds	EUR mill.	1,382.9	1,397.6	990.4	–1.0%
Less liquid funds and securities	EUR mill.	340.9	444.5	212.0	–23.3%
Net Debt	**EUR mill.**	**1,042.0**	**953.0**	**778.3**	**9.3%**

2.3.4 Equity

Equity, including government grants, rose by EUR 62.0 million (5.4%) over the level on April 30, 2019 to EUR 1,218.9 million as of October 31, 2019. The increase was based on profit after tax for the period and reflected the deduction of negative currency translation differences and distributions.

The equity ratio, including government grants, equaled 37.4% (36.8% as of April 30, 2019).

2.3.5 Provisions and other liabilities

Provisions amounted to EUR 194.4 million as of October 31, 2019 and were slightly higher than on April 30, 2019, chiefly due to the adjustment of the interest rate applied to employee-related provisions. As a percentage of the balance sheet total, provisions equaled 6.0% (April 30, 2019: 5.6%).

The remaining liabilities rose by 15.1% from EUR 405.4 million on April 30, 2019 to EUR 466.4 million as of October 31, 2019. The main causes included a higher balance of trade payables and services, above all in connection with the plant construction in Lexington, NC (US) and customer bonuses not yet invoiced, as well as an increase in tax liabilities.

3 Subsequent events, risks, opportunities and outlook

3.1 Major risks, opportunities and uncertainties

No risks can be identified at the present time that could endanger the continued existence of the EGGER Group. We identify, measure and manage risks on an ongoing basis as part of our risk management system and in accordance with defined risk principles.

3.2 Significant events after October 31, 2019

No material reportable events occurred after the end of the first half of the 2019/20 financial year.

3.3 Expected developments / outlook

The International Monetary Fund cautiously forecasts an increase in growth to 3.4% beginning in 2020 (and to 3.6% beginning in 2021). It will be supported, above all, by a positive trend in the emerging and developing countries, while the growth rate in the industrial countries is expected to remain low.

The demand for our main product, laminated chipboard, is forecasted to increase in Europe over the next two years – above all in Russia, Ukraine, Poland, the Baltic States and Spain. Sales opportunities in Central Europe, France and Great Britain are expected to stagnate, in part with a decline in demand.

Estimates point to a continuation of the weak demand for flooring products in Central and Western Europe over the coming years. Real growth in sales volumes for these products in Europe is only seen in Russia, Ukraine and parts of the Balkans.

Projections also show a further rise in the demand for OSB (+9% for 2021 versus 2019). This development will be driven primarily by Eastern Europe (including Russia), but a 4% increase in Central Europe is also expected during this period. However, the demand situation remains tense due to the expansion of OSB capacity.

(Source: B+L Markdaten)

3.4 Expected earnings, financial and asset situation

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

The **Decorative Products Central Division** should see stable market development in the retail sales channel, while demand in the industrial sales channel appears to be levelling off.

Stable development is projected for the **Decorative Products West Division** in the next half-year despite the uncertainties connected with the Brexit. However, slight revenue declines cannot be excluded due to the weakening consumer confidence in Great Britain.

The markets for the **Decorative Products East Division** should also remain stable. Revenues are expected to increase with the steady expansion of sales from our new plant in Biskupiec (PL). However, non-capitalizable start-up costs for this plant will have a negative effect and the forecasted revenue increase will only have a limited impact on earnings.

The greatest challenges will come from the **Decorative Products Americas Division**, whereby our plant in Argentina will also present us with numerous challenges during the next half-year. We are still faced with major issues, above all from the high inflation and devaluation of the Argentine Peso, which require the continuous adjustment of our selling prices to offset rising raw material costs. The construction of a new plant in Lexington, NC (US) is adding capacity in a market which is new to EGGER and must be gradually developed. Revenues in this division should improve during the next half-year, but earnings are expected to remain negative.

The **Flooring Products Division** is expected to record only stable growth in Western Europe due to the ongoing pressure on prices in this business. We are expecting positive effects from our new flooring aggregate in Wismar (DE). An increase in sales of laminated flooring is expected in Russia and in the neighboring European and CIS regions.

The recent improvement in demand on the OSB market has levelled off due to the lower pace of construction during the winter months. The demand for **construction products** will therefore decline over the short-term and, combined with the excess market capacity, lead to increased pressure on prices. Consequently, a substantial improvement in demand or earnings is not expected in this business over the short-term.

Sales in the **Overseas** region are also under market pressure due to the weaker outlook for the global economy. The future course of the trade dispute between China and the USA represents an important factor in this business area.

Greater **uncertainty** could come from the further development of tensions in the Near East, the effects of the Brexit, the political situation in Turkey, the development of the local currency and inflation in Argentina and the trade dispute between the USA and China – and the resulting effects 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 this issue 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. These measures lead us to expect nearly full capacity utilization in all our plants.

We expect positive impulses from the introduction of our new **EGGER Decorative Collection 2020–22**. The previous retail collection made an important contribution to our company's success in recent years. Expectations for our new collection, which will be launched in February 2020, are therefore optimistic. Preparations are already well underway, and our customers are now able to familiarize themselves with this new retail collection.

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, December 10, 2019

Walter Schiegl
(CTO, Production / Engineering)

Thomas Leissing
(Speaker of the Managing Board, CFO, Finance / Administration / Logistics)

Ulrich Bühler
(CSO, Sales / Marketing)

The Managing Board

Consolidated Interim Financial Statements

in accordance with International Financial Reporting Standards (IFRS)

of Egger Holzwerkstoffe GmbH, St. Johann i. T.,
as of October 31, 2019

Consolidated Balance Sheet as of October 31, 2019 Assets	31.10.2019 TEUR	30.04.2019 TEUR
Property, plant and equipment	2,081,145	1,876,768
Intangible assets	66,929	67,346
Investment property	477	484
Biological assets	2,408	3,459
Financial assets	23,366	22,636
Investments in associates	2,386	2,321
Other assets	13,539	5,343
Deferred tax assets	113,682	114,579
Non-current assets	**2,303,931**	**2,092,936**
Inventories	416,849	419,821
Trade receivables	116,051	95,923
Other assets	79,743	82,158
Current tax assets	4,176	5,095
Securities and financial assets	992	863
Cash and cash equivalents	340,879	444,534
Current assets	**958,691**	**1,048,394**
Total Assets	**3,262,622**	**3,141,330**

Consolidated Balance Sheet as of October 31, 2019 Equity and Liabilities	31.10.2019 TEUR	30.04.2019 TEUR
Share capital and reserves	1,017,053	957,615
Perpetual bond	148,365	148,365
Non-controlling interests	43,881	40,718
Equity	**1,209,299**	**1,146,698**
Financial liabilities	1,331,666	1,161,912
Other liabilities	125	137
Government grants	8,354	8,978
Provisions	191,958	179,940
Deferred tax liabilities	4,934	5,128
Non-current liabilities	**1,537,037**	**1,356,095**
Bonds	0	151,340
Financial liabilities	51,238	84,318
Trade payables	286,805	253,321
Other liabilities	147,577	124,923
Government grants	1,261	1,274
Liabilities from income taxes	26,959	21,874
Provisions	2,446	1,486
Current liabilities	**516,286**	**638,537**
Total Equity and Liabilities	**3,262,622**	**3,141,330**

Consolidated Income Statement	05–10/2019 TEUR	05–10/2018 TEUR
Revenues	**1,480,647**	**1,431,975**
Other operating income [1]	13,602	33,866
Increase/decrease in inventories	–12,663	16,007
Own work capitalized	7,397	5,664
Cost of materials	–766,295	–779,091
Personnel expenses	–242,689	–219,996
Depreciation and amortization [2]	–100,435	–149,144
Other operating expenses	–259,900	–237,803
Operating profit	**119,664**	**101,479**
Financing costs	–9,907	–9,018
Other financial results	31	–2,524
Income from financial investments	340	266
Income from associates	65	81
Profit before tax	**110,192**	**90,284**
Income taxes [3]	–30,490	–32,148
Profit after tax [3]	**79,702**	**58,135**
Thereof attributable to non-controlling interests	3,212	3,108
Thereof attributable to holders of the perpetual bond	3,656	3,656
Thereof attributable to equity holders of the parent company [3]	72,834	51,372
Total	**79,702**	**58,135**

[1] Operating income for H1 2019/20 includes TEUR 0 (H1 2018/19: TEUR 19.253) from revaluations based on hyperinflation in Argentina.
[2] H1 2019/20 includes impairment losses of TEUR 1.968 to property, plant and equipment and intangible assets held by Egger Argentina SAU; in H1 2018/19 an impairment loss of TEUR 53.383 was recognized to the goodwill in Egger Argentina SAU.
[3] The amounts reported for H1 2018/19 were adjusted to reflect the changes in IAS 12.

Consolidated Statement of Comprehensive Income	05–10/2019 TEUR	05–10/2018 TEUR
Revaluation of obligations arising from post-employment benefits for employees	–9,049	1,368
Items that will not be reclassified to profit or loss	**–9,049**	**1,368**
Currency translation adjustments	4,314	–47,534
Items that could possibly be reclassified to profit or loss	**4,314**	**–47,534**
Profit after tax recognized in other comprehensive income	**–4,735**	**–46,167**
Profit after tax [1]	79,702	58,135
Total comprehensive income for the period [1]	**74,967**	**11,969**
Thereof attributable to non-controlling interests	3,028	3,108
Thereof attributable to holders of the perpetual bond	3,656	3,656
Thereof attributable to equity holders of the parent company [1]	**68,283**	**5,205**
Total	**74,967**	**11,969**

[1] The amounts reported for H1 2018/19 were adjusted to reflect the changes in IAS 12.

Consolidated Cash Flow Statement	05–10/2019 TEUR	05–10/2018 TEUR
Profit before tax	110,192	90,284
Depreciation and amortization	100,435	149,144
Impairment charges to and valuation of financial assets	–7	29
Revaluation based on hyperinflation in Argentina	0	–19,253
Net interest income / expense	9,221	7,475
Use of government grants	–638	–909
Income/loss from the disposal of fixed assets	–140	–1,656
Income from associates	–65	–81
Increase/decrease in long-term provisions	–879	–4,381
Income taxes paid (net)	–20,106	–20,439
Gross cash flow	**198,013**	**200,213**
Increase/decrease in inventories	122	–39,654
Increase/decrease in trade receivables	–24,044	–11,343
Increase/decrease in other assets	1,026	–11,727
Increase/decrease in trade payables	40,829	31,773
Increase/decrease in other liabilities	22,994	11,248
Increase/decrease in current provisions	1,000	–205
Cash flow from changes in net current assets	**41,927**	**–19,908**
Cash flow from operating activities	**239,940**	**180,305**
Purchase of property, plant and equipment	–282,364	–242,614
Purchase of non-current intangible assets	–612	–529
Purchase of financial assets	–1,257	–1,600
Proceeds from the disposal of financial assets	1	2,117
Proceeds from the disposal of non-current assets	1,269	4,131
Cash flow from investing activities	**–282,963**	**–238,495**
Redemption of EGGER bond 2012-2019	–150,000	0
Increase in financial liabilities	149,726	350,037
Repayment of financial / lease liabilities	–41,826	–240,035
Interest paid	–6,940	–7,631
Interest received	532	322
Payments received from non-controlling interests	134	0
Distribution	–12,500	–15,000
Cash flow from financing activities	**–60,874**	**87,693**
Net change in cash and cash equivalents	**–103,897**	**29,503**
Effects of exchange rate fluctuations on cash held	242	–3,597
Cash and cash equivalents at the beginning of the financial year	444,534	212,004
Cash and cash equivalents at the end of the reporting period	**340,879**	**237,910**

Statement of Changes in Equity	Share capital TEUR	Perpetual bond TEUR	Reserves TEUR	Translation reserve TEUR	Controlling interests TEUR	Non-controlling interests TEUR	Total TEUR
Balance on April 30, 2018	**11,509**	**148,365**	**1,127,110**	**–258,109**	**1,028,876**	**37,580**	**1,066,455**
Adjustment from the 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**
Total comprehensive income for the period	**0**	**0**	**56.396**	**-47.534**	**8.861**	**3.108**	**11.969**
Distribution	**0**	**0**	**–15.000**	**0**	**–15.000**	**0**	**–15.000**
Balance on October 31, 2018	**11,509**	**148,365**	**1,168,482**	**–305,643**	**1,022,713**	**40,687**	**1,063,400**
Balance on April 30, 2019	**11,509**	**148,365**	**1,246,251**	**–300,145**	**1,105,980**	**40,718**	**1,146,698**
Total comprehensive income for the period	0	0	67,625	4,314	71,939	3,028	74,967
Increase / decrease in non-controlling interests	0	0	0	0	0	134	134
Distribution	0	0	–12,500	0	–12,500	0	–12,500
Balance on October 31, 2019	**11,509**	**148,365**	**1,301,376**	**–295,832**	**1,165,418**	**43,881**	**1,209,299**

The amounts reported for H1 2018/19 were adjusted to reflect the changes in IAS 12.

Selected Explanatory Notes

to the Consolidated Interim Financial Statements as of October 31, 2019

1. Accounting and Valuation Methods

The consolidated interim financial statements as of October 31, 2019 comprise the individual financial statements of Egger Holzwerkstoffe GmbH and its subsidiaries, which were adjusted and consolidated in accordance with the principles of International Financial Reporting Standards (IFRS), as adopted in the European Union, and prepared in accordance with the rules for interim reporting (IAS 34).

The accounting and valuation methods that formed the basis for the consolidated annual financial statements as of April 30, 2019 remain unchanged, with the exception of the initial application of IFRS 16 Leases and the changes to IAS 12 Income Taxes. Additional information on the accounting and valuation methods is provided in the consolidated annual financial statements as of April 30, 2019, which form the basis for this interim report.

Initial application of standards and interpretations

IFRS 16 Leases replaces IAS 17 and the related interpretations and requires mandatory application for financial years beginning on or after January 1, 2019. EGGER selected the "modified retrospective approach" for the initial application and has applied this standard since May 1, 2019. Accordingly, the cumulative effect from the changeover is presented as a correction to the opening balance sheet as of May 1, 2019 without the restatement of comparative periods.

EGGER also applied IFRS 16 to all contracts concluded before May 1, 2019 which were defined as leases in accordance with IAS 17 or IFRIC 4. The application guidance provided by IFRS 16 was applied to leases with a contract term of 12 months or less and to leases of low-value assets; in these cases, the lease payments are still recognized as expenses. The practical expedient which permits the exclusion of initial direct costs from the measurement of the right-of-use assets on initial application was also applied.

The new standard is designed to ensure that nearly all leases and the related contractual rights and obligations are reported by the lessee on the balance sheet as rights of use and lease liabilities. This means the differentiation between operating and finance leases is no longer applicable to lessees. EGGER's leases are primarily related to warehouse space, office buildings, apartments, motor vehicles and technical equipment. The rights of use are subsequently measured at cost less accumulated amortization and any necessary impairment losses. The lease liabilities represent the present value of the remaining lease payments. The incremental borrowing rate on the initial application date was used as the discount rate. The weighted average incremental borrowing rate equaled 3,79% on May 1, 2019 and was derived from a risk-free interest rate for equivalent terms, which was adjusted to reflect country, foreign currency and/or business risks. The book value of the contracts previously classified as finance leases under IAS 17 was carried forward.

Transition from minimum lease payments as of 30.04.2019 to recognized lease liabilities as of 01.05.2019	TEUR
Obligations within one year	9,848
Obligations longer than one year and up to five years	14,161
Obligations longer than five years	7,543
Total lease obligations as of 30.04.2019	**31,552**
Obligations from short-term contracts and low-value leases	–9,181
Total obligations for the determination of lease liabilities before discounting	**22,371**
Effect from discounting at the incremental borrowing rate	–4,342
Lease liabilities discounted at the incremental borrowing rate as of 01.05.2019	**18,029**
Finance lease liabilities (IAS 17) as of 30.04.2019	**2,209**
Lease liabilities as of 01.05.2019	**20,238**
Thereof current	4,613
Thereof non-current	15,625

The capitalized rights of use are allocated to the following asset classes:

	Land and buildings TEUR	Machinery and techn. equipment TEUR	Furniture, fixtures and office equipment TEUR	Total TEUR
Carrying amount as of 30.04.2019 (IAS 17)	340	2,312	0	2,652
Carrying amount as of 01.05.2019 (IFRS 16)	8,828	203	8,998	18,029
Exchange rate differences	15	35	120	170
Additions	348	229	711	1,288
Disposals – carrying amounts	–3	0	–11	–14
Amortization	–705	–260	–2,744	–3,709
Carrying amount as of 31.10.2019	**8,823**	**2,519**	**7,074**	**18,416**
Lease liabilities as of 31.10.2019				18,837
Interest – leases 01.05.- 31.10.2019				324

The operating lease expenses previously included on the consolidated income statement are now reported as two components: the amortization of rights of use and interest expense on the lease liabilities.

This change led to an improvement in cash flow from operating activities because the principal and interest parts of the lease payments are included in cash flow from financing activities.

The adjustment effect from IFRS 16 as of May 1, 2019 is as follows:

	30.04.2019 TEUR	Adjustment IFRS 16 TEUR	01.05.2019 adjusted TEUR
Assets			
Property, plant and equipment	1,876,768	18,029	1,894,797
Liabilities			
Non-current financial liabilities	1,161,912	15,625	1,177,537
Current financial liabilities	84,318	4,613	88,931

The rights of use are reported under the respective asset category as part of property, plant and equipment. The lease liabilities are included under non-current and current financial liabilities.

The IASB Improvement Project "Annual Improvements to IFRS – 2015-2017 Cycle" also resulted in **changes to IAS 12 Income Taxes**. All income tax consequences from dividend payments must now be accounted for in the same manner as the earnings on which the dividends are based. That means they must be recognized to profit or loss unless the dividends are based on earnings which are recognized to other comprehensive income or other equity.

For EGGER, the changes to IAS 12 influence the presentation of the income tax effects of hybrid capital interest on the perpetual bond (hybrid bond). These effects must now be reported under income taxes on the income statement in contrast to the previous method which required disclosure directly in equity.

EGGER applied these changes as of May 1, 2019. Retrospective application is required, and the comparative periods for the consolidated income statement and the statement of changes in equity were therefore adjusted. This led to a reduction of TEUR 922 in the income taxes reported on the consolidated income statement for the first half of 2018/19. On the statement of changes in equity, the disclosures of (deferred) taxes and income statement-neutral items are omitted because the respective amounts are included in other comprehensive income for the period. There were no effects on the consolidated balance sheet as of April 30, 2019.

Standards and interpretations announced by not yet applied

The new standards, changes to standards and interpretations issued by the IASB which do not yet require mandatory application were not applied prematurely. They are not expected to have any material effect on the consolidated interim financial statements.

The interim financial report was 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.

2. Scope and Basis of Consolidation

The half-year report includes all material domestic and foreign companies controlled by Egger Holzwerkstoffe GmbH.

The names of the following two companies were changed during the reporting period: Romainvest Yatirim ve Ticaret A.S., Gebze, was renamed Eggerinvest Yatirim ve Ticaret A.S. and Roma Plastik Sanayi ve Ticaret A.S., Gebze, was renamed Egger Dekor A.S.

Furniture eServices GmbH, Linz, was founded and will be included in the financial statements through full consolidation. EGGER holds 75% of the shares in this company.

A minority interest was acquired in Roomle GmbH, Linz. The shares are reported on the consolidated balance sheet under non-current financial assets.

3. Notes to the Balance Sheet

Investment totaling TEUR 296,784 were made in **property, plant and equipment** during the first half of 2019/20 (H1 2018/19: TEUR 242,341). Most of these expenditures were related to growth projects in Poland and the USA.

The **property, plant and equipment and intangible assets held by Egger Argentina SAU** (Concordia plant, Decorative Products Americas Division) with a combined value of TEUR 41,946 were written off in full as of April 30,2019. Further impairment losses of TEUR 1,968 were recognized to additions to property, plant and equipment and intangible assets during the first half of 2019/20 to reflect the ongoing difficult economic situation and the continuing weakness of the Argentine Peso (ARS). The impairment test was based on a pre-tax discount rate of 64.88% for the Argentine Peso as of October 31, 2019 (April 30, 2019: 39.07%).
The impairment loss was recorded on the income statement under depreciation and amortization.

Inventories of TEUR 9,136 (April 30, 2019: TEUR 8,478) are carried at their net realizable value (proceeds on sale less sales deductions and any necessary production and selling expenses).

The **issued capital** of Egger Holzwerkstoffe GmbH totals TEUR 11,509 and has remained unchanged since April 30, 2019.

Financing of TEUR 150,000 was arranged with the EGGER circle of core banks during the reporting period. This financing carries a variable interest rate and has a term ending on September 30, 2028. Short-term bilateral bank financing was also arranged and subsequently drawn and repaid during the first half of 2019/20.

Net debt rose by TEUR 88,989 during the reporting period to TEUR 1,042,025 as of October 31, 2019 (April 30, 2019: TEUR 953,036).

In October 2012 Egger Holzwerkstoffe GmbH issued a seven-year, 4.50% fixed coupon bond with a volume of EUR 150 million. The **bond** was redeemed on schedule in October 2019.

A provision of TEUR 1,000 was recognized as of October 31, 2019 for private anti-trust actions and related claims for damages in Germany, incl. interest claims and procedural costs (April 30, 2019: TEUR 6,800).

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

Balance sheet position	Measure-ment category	Level	Carrying amount MEUR 31.10.2019	Fair value MEUR 31.10.2019	Carrying amount MEUR 30.04.2019	fair value MEUR 30.04.2019
Financial assets carried at fair value						
Securities	FVTPL	1	0.7	0.7	0.7	0.7
Other financial assets	FVTPL	3	12.5	12.5	11.3	11.3
Unsold receivables from the factoring portfolio	FVOCI	3	16.3	16.3	30.4	30.4
Derivatives	FVTPL	2	12.3	12.3	5.1	5.1
			41.8	**41.8**	**47.5**	**47.5**
Financial assets not carried at fair value						
Loans	AC		11.2	–	11.5	–
Trade receivables	AC		99.8	–	65.5	–
Other financial assets	AC		21.7	–	27.6	–
Cash and cash equivalents	AC		340.9	–	444.5	–
			473.6		**549.1**	
Financial liabilities carried at fair value						
Residual risk from factoring	FVTPL	3	0.4	0.4	0.4	0.4
			0.4	**0.4**	**0.4**	**0.4**
Financial liabilities not carried at fair value						
Bonds	AC		0.0	0.0	151.3	153.3
Amounts owed to financial institutions	AC		712.8	713.6	601.6	603.3
Promissory note loans	AC		651.2	662.1	642.3	654.9
Leases	AC		18.8	–	2.2	–
Pool funds / settlement funds due to subsidiaries	AC		0.1	–	0.1	–
Other financial liabilities	AC		35.8	–	38.2	–
Trade payables	AC		286.8	–	253.3	–
			1,705.5		**1,689.0**	

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

The allocation of the financial assets and liabilities carried 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: Informatio n 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.

The **pension liability** in the UK includes TEUR 20,291 (April 30, 2019 TEUR 20,264) which is secured by collateral. This collateral consists of land and buildings owned by EGGER (UK) Limited.

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 these discussions, but the Romanian authorities had not announced a specific appointment date by October 31, 2019.

There have been no material changes in the uncertain liabilities and **contingent liabilities** since April 30, 2019.

4. Notes to the Income Statement and the Statement of Comprehensive Income

Consolidated **revenues** totaled TEUR 1,480,647 in the first half of 2019/20 (H1 2018/19: TEUR 1,431,975). Operating profit before depreciation and amortization (EBITDA) amounted to TEUR 220,099 (H1 2018/19: TEUR 231,370; EBITDA, adjusted to reflect the IAS 29 revaluation).

The calculation of the inflationary adjustment in accordance with **IAS 29 Financial Reporting in Hyperinflationary Economies** was based on the "Argentina National CPI Index D" issued by Bloomberg, which rose by 23.01% from May 1, 2019 to October 31, 2019. Due to the full write-off as of April 30, 2019, the revaluation through profit or loss for the first half of 2019/20 equaled TEUR 0 (May 1, 2018 to October 31, 2018: 25.30%; TEUR 19,253).

The positive change in the **currency translation adjustment** which was not recognized to profit and loss equaled TEUR 4,314 in the first half of 2019/20 (H1 2018/19: negative change of TEUR 47,534).

5. 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.

Decorative Products was expanded by a further division – Decorative Products Americas – to reflect the complete integration of the plant in Argentina and the progress of construction on the new plant in the USA. Segment reporting and the comparative prior year data were adjusted accordingly.

Segment reporting is now based on the following areas of business: Decorative Products Central, West, East and Americas 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	
Decorative Products Americas	
Flooring Products	Production and sale of laminates, comfort and design flooring as well as OSB boards.
Others	Group functions, financing companies, holding companies, production and sale of sawn timber.

The accounting principles described for the EGGER Group under the section “Significant Accounting Policies” also 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 First Half-Year 2019/20	Decorative Products				Flooring Products	Other	Consolidation	Total
	Central	West	East	Americas				
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Third party revenues	382,895	358,563	412,685	68,836	205,493	52,175	0	1,480,647
Inter-company revenues	64,089	6,184	42,881	1	25,707	35,891	–174,753	0
	446,984	**364,747**	**455,566**	**68,837**	**231,200**	**88,066**	**–174,753**	**1,480,647**
Segment results (operating EBITDA)	87,959	50,722	79,044	–2,384	18,869	–14,111	0	220,099
Scheduled depr./amort.	27,035	19,538	40,839	169	7,737	3,149	0	98,467
Impairment	0	0	0	1,968	0	0	0	1,968
Operating profit								119,664
Financing costs								–9,907
Other financial results								31
Income from financial investments								340
Income from associates								65
Income taxes								–30,490
Profit after tax								79,702
Segment assets	925,095	539,123	1,422,298	373,089	256,818	1,139,693	–1,393,494	3,262,622
Segment liabilities	413,478	338,153	258,039	193,455	199,130	2,042,093	–1,391,025	2,053,323
Investments	39,015	27,045	52,980	158,656	12,821	6,879	0	297,396

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

Segment information by area of business First Half-Year 2018/19	Decorative Products				Flooring Products	Other	Consolidation	Total
	Central	West	East	Americas				
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Third party revenues	374,352	353,826	393,539	54,151	197,476	58,631	0	1,431,975
Inter-company revenues	63,040	3,218	34,620	0	27,818	38,302	–166,997	0
	437,391	**357,044**	**428,160**	**54,151**	**225,293**	**96,933**	**–166,997**	**1,431,975**
Segment results (operating EBITDA)	80,365	55,561	86,220	1,455	20,546	–12,777	0	231,370
Scheduled depr./amort.	25,376	20,869	33,581	5,056	6,874	4,005	0	95,761
Impairment of goodwill	0	0	0	53,383	0	0	0	53,383
Operating profit								101,479
Financing costs								–9,018
Other financial results								–2,524
Income from financial investments								266
Income from associates								81
Income taxes [1]								–32,148
Profit after tax [1]								58,135
Segment assets	895,203	498,119	1,280,771	171,191	241,340	816,854	–1,118,039	2,785,439
Segment liabilities	364,615	320,074	261,587	37,798	183,018	1,661,309	–1,106,362	1,722,039
Investments	38,786	23,517	138,293	23,397	17,220	1,657	0	242,870

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

[1] The amounts for H1 2018/19 were adjusted to reflect the changes in IAS 12.

Economic development and seasonality

The outlook for the global economy in 2019 shows an increase of 3.0%. The International Monetary Fund cautiously forecasts an improvement to 3.4% beginning in 2020 (and to 3.6% beginning in 2021). It will be supported primarily by a positive trend in the emerging and developing countries, while the growth rate in the industrial countries is expected to remain low.

The sources of risk include the still uncertain effects of the Brexit, the further development of geopolitical tensions in the Near East, local currency and inflationary trends in Argentina and the future course of the trade dispute between the USA and China. Developments on the raw materials markets, above all the shortage of wood, also represent a significant risk.

EGGER is active in areas of business that are subject to seasonal fluctuations. For example, sales of building products are generally weaker during the second half-year due to the Christmas and winter breaks in the construction industry. The Christmas break also has a slight negative effect on sales of decorative products.

6. Notes to the Cash Flow Statement

Profit before tax forms the starting point for the cash flow statement. Taxes paid are shown as a direct deduction under cash flow from operating activities. Interest paid and received are included under cash flow from financing activities.

7. Transactions with Related Parties

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

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. A total of TEUR 12,500 was distributed to the shareholders in August 2019.

All other business relations with related persons and companies are immaterial in scope and based on arm's length conditions. These business relations are disclosed in the consolidated financial statements as of April 30, 2019, and there are no material changes to report in the consolidated interim financial statements as of October 31, 2019.

8. Audit Review

These interim financial statements were reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Innsbruck.

9. Events after the Balance Sheet Date

No material reportable events occurred after the balance sheet date.

St. Johann in Tirol, December 10, 2019

Walter Schiegl
(CTO, Production / Engineering)

Thomas Leissing
(Speaker of the Managing Board, CFO, Finance / Administration / Logistics)

Ulrich Bühler
(CSO, Sales / Marketing)

The Managing Board

Statement of all Legal Representatives

We confirm to the best of our knowledge that the condensed interim 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 important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

St. Johann in Tirol, December 10, 2019

Walter Schiegl
(CTO, Production / Engineering)

Thomas Leissing
(Speaker of the Managing Board, CFO, Finance / Administration / Logistics)

Ulrich Bühler
(CSO, Sales / Marketing)

The Managing Board

Reporting

Report on the Review of the condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Egger Holzwerkstoffe GmbH, St. Johann in Tirol, for the period from 1 May 2019 to 31 October 2019. These condensed consolidated interim financial statements comprise the consolidated balance sheet as of 31 October 2019 and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statements of cash flows and statement of changes in equity for the period from 1 May 2019 to 31 October 2019 and the selected explanatory notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the interim management report for the consolidated interim financial statements and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed consolidated interim financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Innsbruck, 10th December 2019
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski
Wirtschaftsprüfer
(Austrian Chartered Accountant)

Note: The condensed consolidated interim financial statements together with our review report may be published or transmitted only as agreed by us. This report is a translation of the original report in German, which is solely valid.

Berichterstattung

Bericht über die prüferische Durchsicht des verkürzten konsolidierten Zwischenabschlusses

Einleitung

Wir haben den beigefügten verkürzten konsolidierten Zwischenabschluss der Egger Holzwerkstoffe GmbH für den Zeitraum vom 1. Mai 2019 bis 31. Oktober 2019 prüferisch durchgesehen. Der verkürzte konsolidierte Zwischenabschluss umfasst die konsolidierte Bilanz zum 31. Oktober 2019 und die konsolidierte Gewinn- und Verlustrechnung, die konsolidierte Gesamtergebnisrechnung, die konsolidierte Cashflow-Rechnung und die Entwicklung des konsolidierten Eigenkapitals für den Zeitraum vom 1. Mai 2019 bis 31. Oktober 2019 sowie die ausgewählte erläuternde Anhangsangabe, die wesentlichen angewandten Bilanzierungs- und Bewertungsmethoden zusammenfasst und sonstige Erläuterungen enthalten.

Die gesetzlichen Vertreter der Gesellschaft sind für die Aufstellung dieses verkürzten konsolidierten Zwischenabschlusses in Übereinstimmung mit den International Financial Reporting Standards (IFRSs) für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, verantwortlich.

Unsere Verantwortung ist es, auf Grundlage unserer prüferischen Durchsicht eine zusammenfassende Beurteilung über diesen verkürzten Konzern-Zwischenabschluss abzugeben. Bezüglich unserer Haftung gegenüber der Gesellschaft und gegenüber Dritten kommt § 275 Abs 2 UGB sinngemäß zur Anwendung.

Umfang der prüferischen Durchsicht

Wir haben die prüferische Durchsicht unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und berufsüblichen Grundsätze, insbesondere des Fachgutachtens KFS/PG 11 "Grundsätze für die prüferische Durchsicht von Abschlüssen", des International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" durchgeführt. Die prüferische Durchsicht eines Zwischenabschlusses umfasst Befragungen, in erster Linie von für das Finanz- und Rechnungswesen verantwortlichen Personen, sowie analytische Beurteilungen und sonstige Erhebungen. Eine prüferische Durchsicht ist von wesentlich geringerem Umfang und umfasst geringere Nachweise als eine Abschlussprüfung gemäß österreichischen und/oder internationalen Prüfungsstandards und ermöglicht es uns daher nicht, eine mit einer Abschlussprüfung vergleichbare Sicherheit darüber zu erlangen, dass uns alle wesentlichen Sachverhalte bekannt werden. Aus diesem Grund erteilen wir keinen Bestätigungsvermerk.

Zusammenfassende Beurteilung

Auf Grundlage unserer prüferischen Durchsicht sind uns keine Sachverhalte bekannt geworden, die uns zu der Annahme veranlassen, dass der beigefügte verkürzte konsolidierte Zwischenabschluss nicht in allen wesentlichen Belangen in Übereinstimmung mit den International Financial Reporting Standards (IFRSs) für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, aufgestellt worden ist.

Stellungnahme zum Lagebericht zum konsolidierten Zwischenabschluss und zur Erklärung der gesetzlichen Vertreter gemäß § 125 BörseG

Wir haben den Halbjahreskonzernlagebericht gelesen und dahingehend beurteilt, ob er keine offensichtlichen Widersprüche zum verkürzten Konzernzwischenabschluss aufweist. Der Halbjahreskonzernlagebericht enthält nach unserer Beurteilung keine offensichtlichen Widersprüche zum verkürzten Konzernzwischenabschluss.

Der Halbjahresfinanzbericht enthält die § 125 Abs 1 Z 3 BörseG geforderte Erklärung der gesetzlichen Vertreter.

Innsbruck, 10. Dezember 2019
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski
Wirtschaftsprüfer

Anmerkung: Die Veröffentlichung oder Weitergabe des verkürzten konsolidierten Zwischenabschlusses mit unserem Bericht über die prüferische Durchsicht darf nur in der von uns bestätigten Fassung erfolgen.

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