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Tremco CPG Germany GmbH (formerly: tremco illbruck GmbH)

Bodenwoehr

Annual financial statements for the financial year from June 1st, 2020 to May 31st, 2021

Management report for the 2020/2021 financial year

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I. Business and General Conditions

Legal framework

Tremco CPG Germany GmbH, based in Bodenwöhr, is part of the RPM Group. The ultimate group company is RPM International Inc., based in Medina, Ohio/USA, a company listed on the New York Stock Exchange (NYSE, New York Stock Exchange) under the abbreviation "RPM".

Tremco CPG is a manufacturer and service provider of sealing and bonding solutions for the construction and manufacturing industries.

Tremco CPG Germany GmbH, Bodenwöhr, is a subsidiary of the tremco illbruck Group GmbH, Bodenwöhr. The company is included in the cash pool procedure of the European RPM companies. With effect from April 1, 2021, the function of cash pool clearing house and thus the function of cash pool manager was transferred from RPM FCP Belgium SPRL, Nivelles/Belgium, to Tremco illbruck Group GmbH, Bodenwöhr.

Tremco CPG Germany GmbH, Bodenwöhr, has concluded a profit transfer agreement with tremco illbruck Group GmbH, Bodenwöhr (formerly: Cologne), as the controlling company. In the 2020/2021 financial year, there was an income tax group and a sales tax group with tremco illbruck Group GmbH, Bodenwöhr. The resulting receivables and liabilities are shown in the corresponding items of the affiliated companies.

Economic conditions

Tremco CPG Germany GmbH is represented at three locations in Bodenwöhr, Cologne and Traunreut. In addition, the window film program is manufactured by a sister company in Legnica/Poland, which is bought and distributed by Tremco CPG Germany GmbH. The company owns the distribution rights for the manufactured products for Germany and Austria. As a member of the group, the product range also includes products that are manufactured by sister companies. These include silicone sealants and construction foams.

At the Bodenwöhr site, impregnated joint sealing tapes are manufactured from polyurethane foams and dispersion impregnation compounds. The joint sealing tapes are produced in so-called docks in a width of 1 meter and then cut into individual rolls on site. Another production area at the Bodenwöhr site is the production of so-called endless belts. This is non-impregnated polyurethane foam, which is laminated on the back with various media and then wound up in strips onto so-called spools. Our European central warehouse is also located at the Bodenwöhr site and we control the German and Austrian sales activities from here.

Elastic sealants and adhesives are developed and produced at the Traunreut site. These products are based on silicone and hybrid polymers, which are first mixed with other purchased raw materials and then filled into cartridges, tubular bags or tubes for the "after-sales" market and for industrial applications in drums or hobbocks. The products are processed manually on construction projects and also in industrial companies, mostly using automatic dosing and application devices.

Administration and sales activities are carried out at the Cologne location. The location in Cologne was downsized in the 2020/2021 financial year and removed from the commercial register as a branch.

Economic development in general

In 2020, the price-adjusted German gross domestic product fell by 4.6% compared to the previous year. After 10 years of uninterrupted growth, the German economy shrank for the first time in 2020 due to the effects of the corona pandemic and the associated lockdown ¹. These effects, but also supply bottlenecks and scarcity of raw materials as well as a drastic increase in raw material and energy prices will continue to slow down the German economy in 2021. The gross domestic product increased by only 2.7% in 2021 ². A strong recovery is not expected until 2022 ³.

¹ <https://de.statista.com/statistics/data/studie/2112/umfrage/veraenderung-des-grossinlandproduktsim-vergleich-zum-vorjahr/> ² www.destatis.de/DE/Press/Press_Conferences/2022/BIP2021/statementbip.pdf?__blob=publicationFile ³ <https://www.tagesschau.de/wirtschaft/konjunktur/konjunkturprognose-125.html>

In absolute figures, the gross domestic product in the first two quarters of 2021, at €1,710 billion, was around 4.7% above the previous year's level and also higher than in the pre-Corona year 2019, due to increasing inflation the price-adjusted index was in the second Quarter at 103.56, however, lower than in the pre-Corona period (in Q2/2019 the index was 105.79 and also in Q1/2020, i.e. until the first lockdown, the index was still 105.17 points ⁴).

In the course of the autumn, there was also a clear weakening of growth momentum.

The overall still satisfactory economic development was supported in particular by the construction industry. Here, the increase in gross value added in the first 2 quarters of the 2021 calendar year was nominally +6.3%, higher than in the German economy as a whole (+5.3%) ⁵.

The economic development, which was still positive on an annual average, also had an effect on the labor market, where the number of employees subject to social security contributions increased by 0.4 million to 33.73 million in May, according to the Federal Employment Agency. In contrast, the unemployment rate fell to 5.9% in May 2021 (-0.2 percentage points compared to the same month of the previous year) and the use of short-time work was also significantly reduced compared to the peak in April 2020 ⁶.

Incoming orders in the manufacturing sector are also still at a decent level (May = 105.3), although the absolute highs of March and April were not reached here either ⁷.

In contrast, the prospects for the economy in the euro zone are more optimistic than for Germany. Here, the IfW in Kiel sees GDP growth of 5.1% for 2021 after a decline of 6.4% in the past year, which means that the economy is taking big steps towards the production level reached before the crisis. After a strong increase in economic output in the second quarter of 2021 and high confidence among companies and consumers in early summer, the economy slowed down in the winter half-year ⁸.

⁴ [https://www.destatis.de/DE/Themen/Economy/Conjunctural_indicators/National_Accounts/vgr111ga.html?view=main\[Print\]](https://www.destatis.de/DE/Themen/Economy/Conjunctural_indicators/National_Accounts/vgr111ga.html?view=main[Print]) ⁵ https://www.destatis.de/DE/Themen/Economy/Business_indicators/National_Accounts/vgr210.html;jsessionid=763F9AA1D1647BC54902FF84D748C58F.live731 ⁶ <https://www.arbeitsagentur.de/news/arbeitsmarkt-2021> ⁷ https://www.destatis.de/DE/Themen/Wirtschaft/Wirtschaftskennzeichen/Order_Intake/kae211.html;jsessionid=9268A27C3B28D7E9C797AC2843087BC3.live731 ⁸ <https://www.ifw-kiel.de/themendossiers/konjunktur/#m-tab-0-euroraum>

Globally, the momentum of the economic recovery slowed down significantly in the first half of 2021 as a result of new Covid-19 outbreaks and problems in the supply chains. Although the braking factors remain effective for the time being, global production is still rising strongly after the historic slump last year. The 5.9% increase was mainly driven by strong increases in China and India (both >8%), as well as in Latin America (+6.7%) and the United Kingdom (+6.3%). At +5.7%, the USA is still ahead of the euro area and ahead of East Asia (+3.4%) and Japan (+2.1%) ⁹.

Economic development in the construction industry

According to corresponding reports from the Central Association of the German Construction Industry ¹⁰ and the Federal Statistical Office ¹¹ the construction industry supported the overall economy in the Corona year 2020: Gross value added and sales also increased in real terms (in contrast to the German economy as a whole) and the number of people working in the construction industry also rose by 3.4% to around 888,000. Both the main construction and the finishing trades were able to increase almost equally. This above-average development is due to the extraordinarily high order backlog with which the industry started 2020. According to current publications, the ZDB sees stagnation at the level of the previous year for 2021, ¹².

According to the Federal Statistical Office, sales and hours worked in the main construction trades are above the previous year's level in April and May after a weak first quarter ¹³. As of the end of May 2021, the order intake (+8.4% on the previous year), the order backlog (index: 169.2 compared to 166.4 in the previous year and 159.2 as of May 2019) and the number of building permits in residential construction at the end May (YTD by +11.0%) significantly above previous year.

⁹ <https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2021/weltwirtschaft-im-herbst-2021-erurlaubspfad-mit-stolpersteinen-0/> ¹⁰ <https://www.zdb.de/baukonjunktur> ¹¹ <https://www.destatis.de/DE/Themen/Branchen-Aktien/Bauen/Tables/betriebe.html> ¹² <https://www.zdb.de/baukonjunktur/konjunkturprognose-2021> ¹³ https://www.destatis.de/DE/Themen/Wirtschaft/Conjunctural_indicators/Construction/pgw210.html

Financial performance indicators

In the area of financial performance measurement, in addition to operating income (annual result before profit transfer, amortization of intangible assets, taxes and interest) and sales, the cost of sales ratio, gross margin and working capital are important financial indicators for us. The results of the performance indicators are explained in the course of the management report at the appropriate point. The calculation of the performance indicators is shown below:

- manufacturing cost ratio
 - Percentage ratio of the production costs reported in the income statement for the services rendered to generate the sales to the sales

- gross margin
 - Percentage ratio of gross profit on sales to sales reported in the income statement
- working capital
 - Balance of inventories, trade receivables and trade payables (each without intercompany balances)

The calculation of the control parameters is based on the reporting package prepared according to the US General Accepted Accounting Principles. The main differences to the present annual financial statements are the disclosure of charges passed on to affiliated companies under sales (Section 277 (1) HGB). There are no significant differences in working capital compared to the present financial statements. The calculation of the cost of sales ratio and the gross margin differs in that charges passed on to or from affiliated companies are sometimes shown below operating income or

Non-financial performance indicators

In the area of non-financial performance indicators, the focus is on environmental protection and employee concerns. These non-financial performance indicators are operationalized via the average number of employees, the number of work accidents and the number of environmental risks.

Tremco CPG Germany GmbH employed an average of 339 people in the 2020/21 financial year. Compared to the previous year, this is 5 fewer employees. This is slightly below our expectations. The increased production and sales volume could also be achieved with a smaller number of employees as a result of previous rationalization investments, projects to increase efficiency and the increased use of temporary workers.

We attach great importance to preventive health and safety at work. There have not been any major accidents for a long time. Safety rules and safety plans are continuously monitored and communicated, this ensures the annual certification according to DIN ISO 45001. In addition, two work processes were automated through investments in the past financial year and contributed to an increase in productivity. This development was thus at the level of the previous year and our planning.

Compliance with applicable environmental protection regulations is also a priority for us. Our internal control instruments have not identified any environmental risks. The requirements are regularly updated by an external engineering office. This development is in line with the previous year and with our expectations for the 2021/2022 financial year.

Research and Development

The Bodenwöhr site has its own development department for sealing products for windows and facade joints. Depending on the application, products are developed in the segments for pre-compressed sealing tapes, non-impregnated sealing tapes, continuous products and foils and made ready for series production. The main criteria for the development are simple and safe processing, energy savings by avoiding heat loss, efficient use of materials and the innovative combination of material properties. The materials used are further developed in close contact with institutes and suppliers. A focus of the development activities was to achieve the product launch of TP700. TP700 is an impregnated, pre-compressed joint sealing tape for sealing joints and connections in window and facade areas. Especially with facade joints of up to 40 mm, the tape is intended to provide a weather-resistant seal thanks to higher movement reserves. In addition, it should be easier and faster to process and leave no additional waste thanks to its linerless technology.

At the Traunreut location, the research and development department deals with the development of new products according to market specifications and with the application technology of the products manufactured locally. The product portfolio developed in Traunreut includes sealants and adhesives for construction, industrial and insulating glass applications. Silicone-based and hybrid-based raw materials are used for production. One focus of the development activities was to achieve the SP045. SP045 is a general purpose 1-part hybrid polymer based adhesive whose versatility translates to a wide variety of fastening and assembly applications including interior wall panels, timber battens, baseboards, decorative edges, door and floor panels and ceramic tiles. The wide range of adhesion should mean that SP045 is suitable for the primer-free bonding of many common building materials while completely dispensing with solvents and isocyanates.

Research and development expenses amounted to EUR 3.3 million in the 2020/2021 financial year (previous year: EUR 3.7 million). In relation to sales, this results in a rate of 2.6% (previous year: 3.0%). At the end of the fiscal year, the company had 29 employees (previous year: 30 employees) in research and development. The annual expenses for research and development are charged to the tremco illbruck Group GmbH, Bodenwöhr, and are passed on by the latter to various companies of the RPM Group in Europe.

branches

In the 2020/2021 financial year, Tremco CPG Germany GmbH maintained a branch in Traunreut. An average of 63 (previous year: 64) people were employed at the Traunreut branch. The Traunreut branch achieved (product) sales of around EUR 25.1 million (previous year: EUR 24.6 million).

II. Earnings, financial and asset situation

a) Results of operations

In line with the economic development described above, the company's sales of EUR 134.5 million were 7.8% above the comparable previous year.

Compared to the previous year, we primarily achieved increases in sales with industrial customers (+4.2%) and in our largest sales area with "Construction" customers (+19.9%). In this market segment, we were able to record significant sales increases in the year under review, particularly with adhesives and tapes. Intercompany sales to sister companies were also +13.4% above the level of the previous year.

The gross profit increased by EUR +2.5 million compared to the previous year in absolute figures. The relative gross margin remained unchanged at 24.5% compared to the previous year. As a result, the cost of sales ratio was 75.5%.

Here, the disproportionate increase in intercompany sales, which are sold with a lower margin, is offset in particular by efficiency gains within our production sites, where we were able to process a significantly higher production volume with similar wage costs. While material costs were still at an unusually low level in the first quarter of the reporting year, the picture changed completely from autumn 2020 and led to previously unknown price increases. In the reporting year, there were significant cost increases, especially for PU foams, but the prices for most of the other product groups purchased were also significantly higher in May 2021 than at the beginning of the financial year.

The decrease in selling expenses by almost EUR 1.5 million is mainly due to an unscheduled write-down on a customer base acquired in the 2018/2019 financial year (EUR 1.3 million). In addition, we were able to save on freight and marketing expenses.

At EUR 6.5 million, administration costs are also significantly lower than in the previous year (EUR -1.8 million), primarily due to a lower charge for management services by our parent company (EUR -1.4 million). There were further savings on insurance and consulting costs, among other things.

At EUR 1.5 million, other operating income is EUR 0.4 million higher than in the previous year. This development is primarily due to income from the reversal of individual value adjustments on receivables (EUR +0.4 million).

At EUR 0.2 million, other operating expenses are below the level of the previous year (EUR 0.6 million). This development is primarily due to declining restructuring expenses.

The increased income tax allocation (from EUR 1.8 million to EUR 4.1 million) goes hand in hand with the significant increase in earnings before taxes (from EUR 6.5 million to EUR 13.1 million).

At EUR 9.1 million, earnings after taxes are EUR 4.4 million higher than in the previous year. The operating income is EUR 16.6 million after EUR 10.7 million in the previous year. The increase compared to the previous year is primarily due to significantly higher sales revenues, lower allocations by our shareholder and a significant drop in one-off expenses. Against this background, our financial performance indicators of earnings (sales, cost of sales, gross margin, operating income) were at the level of our planning.

The company's annual surplus of EUR 9.0 million was transferred to the shareholder on the basis of the existing profit and loss transfer agreement.

b) financial position

As in previous years, the company financed itself from the group's own cash pool management. The cash pool was initially managed by RPM FCP Belgium SPRL, Nivelles/Belgium and since April 1, 2021 by our shareholder, Tremco illbruck Group GmbH. There were no liabilities to banks.

The financial management of the CPG subgroup relates to the capital structure and cash and liquidity management. All companies connected to the cash pool in Germany are connected to the sister company RPM FCP Belgium SPRL, Nivelles in Belgium and the Tremco illbruck Group GmbH, Bodenwöhr. As part of this cash pool, all bank balances of the companies belonging to the cash pool are transferred at the end of each banking day via a national clearing house with the same currency to accounts with Bank of America.

The financial management is carried out centrally by the tremco illbruck Group GmbH, based in Bodenwöhr, uniformly for all companies belonging to the tremco illbruck subgroup. The financial management operates within a given framework of guidelines, limits and benchmarks.

The company's cash and cash equivalents consist of liquid funds and cash pooling balances. The financial position can be presented as follows using a cash flow statement:

	2020/2021 million euros
Cash flow from operating activities	+12.8
Cash flow from financing activities	-4.6
Cash flow from investing activities	-1.2
Cash changes in cash and cash equivalents	+7.0
Cash funds at the beginning of the period	-5.5
Cash funds at the end of the period	+1.5
	05/31/2021 million euros
Composition of cash funds	
liquid funds	0.0
Cash Pooling Claim	+1.5
	+1.5

The company's cash and cash equivalents (consisting of liquid funds and a cash pooling receivable) recorded a significant increase of EUR +7.0 million in the 2020/2021 financial year (from EUR -5.5 million to EUR +1.5 million). The main reason for this improvement was the positive cash flow from operating activities, which was primarily achieved through the significant improvement in operating income.

c) financial situation

The balance sheet total is EUR 57.4 million and is therefore EUR 8.7 million above the level of the previous year of EUR 48.6 million.

The decline in the book value of intangible assets by EUR 0.2 million results from scheduled depreciation.

The net property, plant and equipment decreased by EUR 1.0 million. Here, the investments made in the financial year amounting to almost EUR 1.2 million have an impact, which is countered by a depreciation volume of over EUR 2.3 million. The investments made primarily related to the completion of a production facility that had already been started in the Bodenwöhr plant in the previous year, as well as operating equipment in our two production plants.

Inventories increased by a further EUR 0.6 million compared to the previous year, primarily due to increased RHB materials (EUR +1.6 million) to ensure the security of supply for our production plants and the associated ability to deliver to our customers. Overall, the increase in inventories by +6.7% compared to the previous year was roughly proportional to the increase in sales by +7.8%.

As of the balance sheet date, trade receivables were +24.0% or EUR +2.6 million higher than in the previous year (EUR 13.4 million to EUR 10.8 million), which is due to the low sales revenues in April and May of the previous year as a result of the first corona-related lockdown. In the year under review, we recorded around 30% higher sales in this 2-month period than in the previous year.

At EUR 10.9 million, receivables from affiliated companies are significantly higher than the previous year's figure of EUR 4.0 million. The increase relates to both receivables from significantly expanded deliveries of goods (EUR +3.9 million) and receivables from the cash pool -Leader from a now positive cash pool balance (EUR +1.5m).

At EUR 0.5 million, other assets changed only slightly compared to the previous year (EUR -0.1 million) and relate primarily to creditors with debit balances.

On the liabilities side of the balance sheet, trade payables increased significantly by EUR +2.9 million to EUR +8.8 million. This development is associated with the increase in inventories and the implementation of measures to improve our working capital.

The total working capital thus increased at a much lower rate than sales by only EUR 0.3 million or +2.3% to EUR 14.8 million. This development was within the scope of our planning.

Provisions increased by EUR 1.1 million. Higher provisions for employee bonuses and flexitime credits as well as customer bonuses are offset by significantly lower restructuring provisions in particular.

Liabilities to affiliated companies are higher at EUR 23.8 million (previous year: EUR 19.3 million). This is mainly due to the significantly higher liabilities from profit and loss transfers (EUR +4.4 million), from tax allocations (EUR +2.2 million) and from goods and services. This development contrasts with a reduction in cash pooling liabilities of EUR 5.7 million.

The company's equity remained unchanged compared to the previous year (EUR 13.9 million) due to the existing profit and loss transfer agreement.

Overall statement on the situation

The overall assessment of the development of the financial year is characterized above all by a significant improvement in earnings due to a sharp increase in sales and cost discipline. Since the working capital also increased at a lower rate than sales, we classify our business development as very good overall.

III. Opportunity and risk report

risk management system

The Tremco illbruck Group with its subsidiary Tremco CPG Germany GmbH, Bodenwöhr, is exposed to a number of risks in the course of its business activities that are inextricably linked to entrepreneurial activity. We counter such imponderables with a comprehensive risk management system, which enables us to identify risks at an early stage, assess the associated effects on the financial, earnings and asset situation and initiate suitable countermeasures. The strategy of avoiding and hedging risks was consistently pursued in the 2020/2021 financial year.

The most important part of the risk management of the Tremco illbruck group is a group-wide and detailed reporting. In this, all operational activities from purchasing to production to distribution are recorded quantitatively and qualitatively in a defined scheme. By continuously monitoring precisely defined parameters, undesirable developments can be identified at an early stage and countermeasures can be initiated quickly. These are largely reflected in our ISO 9001-certified production sites. The second important element is the internal risk management system, which came into effect with the takeover of the Tremco illbruck Group by RPM Inc., Medina, Ohio/USA.

Financial risks and risk reporting on the use of financial instruments

payment default risks

In difficult economic periods, the general risk of bad debts also increases in the construction industry. The risk of non-payment is remunerated for some commercial customers by taking over the del credere. For the rest of the customer base, provision is made for expected value adjustments on an individual basis.

Despite the general increase in uncertainty due to the corona pandemic and an increased liquidity risk in the economy, there have been no noteworthy payment defaults to date.

Risks from cash flow fluctuations

Due to the fundamentally seasonal course of sales of Tremco CPG products, our company's need for liquidity to finance ongoing business varies greatly depending on the season. There is a high need for money in the first few months of the financial year. In the second half of the year, cash inflows clearly predominate. The risks resulting from these cash flow fluctuations are limited for our company because the company has access to liquid funds at all times via the cash pool.

currency risks

Tremco CPG Germany GmbH, Bodenwöhr, almost exclusively supplies affiliated companies on a euro basis. There is therefore no significant currency risk. As part of sales activities, deliveries are made in euros almost exclusively to customers in Germany and only occasionally to customers in other European countries. Purchases are made almost exclusively on a euro basis. There is therefore no significant currency risk.

participation risks

Appropriate value adjustments are made to the extent that impairments are identified in financial assets. Possible risks from losses in value are counteracted by the Group-wide mechanisms for risk assessment.

Operational opportunities and risks

From our point of view, the following factors are important for the risk assessment of the business activity. The assessment of the risks is based on the assessment of the probability of occurrence and the extent of the risk.

Macroeconomic and industry-specific opportunities and risks

Our company, with its sealing systems for windows and joints, is dependent on the development of the construction industry. Demand in Germany, which is our company's largest single market in terms of volume, plays an important role here. The sale of building products, for its part, reacts very sensitively to the general economic situation as well as to economic and tax policy framework conditions. The main competitors are ISO Chemie, Hanno, Henkel, Sika and Soudal.

From our point of view, we are meeting the increasing demands for environmentally friendly and non-hazardous products and systems as well as increasing technical requirements, eg due to the EU directive on "nearly zero energy buildings" by introducing new products and systems and corresponding tests and certificates.

Russia's attack on Ukraine has had a significant impact on the global economy and on developments in Germany. Shortly after the start of the attack on Ukraine, we stopped all business relations with Russia. However, due to the magnitude of these relationships, the discontinuation of the business relationships will not have any significant impact on the net assets, financial position and results of operations of Tremco CPG Germany GmbH.

The effects of the coronavirus could also have an impact on the company's risk assessment in the 2021/2022 financial year:

Since the number of corona cases will rise sharply again in autumn 2021 and the calls for renewed restrictions on public life are getting louder again, volatility and forecast uncertainty have also increased. Increasing delivery times and higher prices for the procurement of raw materials, but also the low availability of skilled workers on the labor market, presented us with new challenges in managing the company.

In view of the existing latent uncertainty with regard to future developments, it is still important to maintain cost discipline while at the same time ensuring security of supply and the ability to deliver to our customers in order to be able to take advantage of market opportunities that arise.

We classify the opportunities and risks from the overall economic and industry-specific development as high. We are convinced that the good relationships with the sales partners offer a good starting point for supplying more private label products and thus opening up certain market segments for Tremco CPG. The growing market importance of DIY stores in the above market segment offers opportunities to reach additional customer groups and is being pursued accordingly.

Risks in raw material procurement

As part of our production, we use various main and secondary raw materials. The sufficient availability of these raw materials could only be ensured with great effort in the 2020/2021 financial year. The failure of one or more suppliers could also lead to a critical shortage of raw materials on the world market. This can result in price increases for raw materials and the resulting pressure on our profit margins. Significant raw material price increases were visible in the 2020/2021 financial year. Basically, the risks of raw material procurement affect the location in Bodenwöhr and the branch in Traunreut equally. The same security mechanisms apply to the branch office in Traunreut. There are only differences with regard to the raw materials used, since the foams are not used in Traunreut. We classify this risk as high and try to hedge this risk through contracts with raw material suppliers in order to be less subject to price fluctuations or the effects of shortages. We are currently seeing increased delivery times at many of our suppliers, which we counteract by deliberately increasing raw material stocks in order to ensure security of supply at all times. There are only differences with regard to the raw materials used, since the foams are not used in Traunreut. We classify this risk as high and try to hedge this risk through contracts with raw material suppliers in order to be less subject to price fluctuations or the effects of shortages. We are currently seeing increased delivery times at many of our suppliers, which we counteract by deliberately increasing raw material stocks in order to ensure security of supply at all times. We classify this risk as high and try to hedge this risk through contracts with raw material suppliers in order to be less subject to price fluctuations or the effects of shortages. We are currently seeing increased delivery times at many of our suppliers, which we counteract by deliberately increasing raw material stocks in order to ensure security of supply at all times. We classify this risk as high and try to hedge this risk through contracts with raw material suppliers in order to be less subject to price fluctuations or the effects of shortages. We are currently seeing increased delivery times at many of our suppliers, which we counteract by deliberately increasing raw material stocks in order to ensure security of supply at all times. We classify this risk as high and try to hedge this risk through contracts with raw material suppliers in order to be less subject to price fluctuations or the effects of shortages. We are currently seeing increased delivery times at many of our suppliers, which we counteract by deliberately increasing raw material stocks in order to ensure security of supply at all times.

Warranty and Legal Risks

Ongoing research and development activities are of strategic importance for the Tremco CPG subgroup. Innovations open up great opportunities to open up additional markets and customer groups and to bind existing customers to the company. However, there are also risks: newly developed products are only brought to the market after extensive tests. However, it cannot be ruled out that warranty claims will be made against Tremco CPG and subsequently also against our company as the manufacturer with a time delay. This is due to the increasing complexity of our products. Furthermore, there is a clear trend in European case law to interpret warranty claims more generously in favor of the end customer. We have purchased insurance cover for the burdens resulting from such proceedings.

Another legal risk is liability for advice. The reason for this is the rounding off of the range of offers with additional services. For example, Tremco CPG supports customers with technical questions, design details and logistical issues. Under certain circumstances, these services could give rise to claims from advisory liability. Therefore, we closely follow the tendencies in case law in order to be able to weigh up liability consequences in the presence of certain constellations. Against this background, we classify the warranty risk as medium.

Dependence on weather influences

A large part of our company's Tremco CPG products are used outdoors. Their processing is therefore subject to the effects of the weather. A long, harsh winter can always lead to a drop in sales, which can only be made up to a limited extent in the subsequent

period due to the limited processing capacities. Such weather-related influences on the business can lead to significant fluctuations in earnings. Against this background, we classify the risk as dependent on weather influences as medium.

environmental risks

The manufacturing process of Tremco CPG products involves only low environmental risks, as only insignificant amounts of hazardous substances are used. In addition, production takes place in modern, automated production facilities, which further reduce the risk. Nevertheless, an environmental management system based on international standards (ISO 14001) was introduced at Tremco CPG. Specially trained environmental protection officers ensure continuous monitoring of the production process. Against this background, we classify environmental risks as low.

sales risks

Due to our customer structure, there is a dependency on the Tremco CPG Group with regard to sales activities. No increased risks are to be expected with future sales of the Tremco CPG products produced by our company. The domestic potential for joint and window sealing alone is very large. In Germany, around 80% of the building stock does not yet comply with the legal regulations applicable to new buildings. The long-term rising trend in energy prices as well as the expected legal requirements for the reduction of pollutants favor the development of our sales markets. As a result, increased investments in the field of thermal insulation can be expected both nationally and internationally. There is a good chance that the Tremco CPG Group and thus also our company will benefit greatly from the expected demand. The general sales risk is also reduced by the broadly diversified customer portfolio. Against this background, we classify the sales risk as low.

Global Risk Position

The overall risk is assessed on the basis of the risk management system. After evaluating the current and future individual risks and taking into account the countermeasures that have already been taken, the management comes to the conclusion that there is currently no threat to the continued existence of our company.

The development of the corona pandemic has still not had any significant impact on our business. Stable construction activity in particular led to a significant expansion of our business activities in the 2020/2021 financial year. However, the significant price increases for raw materials observed, particularly in the last few months of the 2020/2021 financial year, and the longer delivery times pose new challenges, which we are countering with the measures described above.

IV. Forecast Report

Strategy as well as opportunities and risks of future development

One of the basic corporate goals of the tremco CPG group is the long-term strengthening of our market position, with our focus on sustainable growth in sales and earnings. Our corporate strategy, which is based on our corporate values, is reviewed annually and adjusted if necessary. The focus is currently on:

- The tremco CPG Group is pursuing the internationalization of its business basis. In this way, we want to support regional risk diversification and exploit additional growth potential. This goal is implemented primarily through internal measures such as opening up new markets through our own subsidiaries. Acquisitions are intended to supplement these measures. However, very strict standards are applied here.
- With a focus on sealing, bonding and coating, we see strong growth opportunities with our internationally oriented sales organization. Networked research and development activities should support these activities.
- The focus is on optimizing the flow of materials between our production plants and our sales companies, as well as further optimizing procurement and production activities. The implementation of these measures should go hand in hand with an increase in productivity.

By consistently implementing our strategic plan, we want to take advantage of the opportunities that are available to us. Great sales opportunities for sealing materials are opening up due to the scarcity of natural resources, the development of energy prices and regulations for energy saving in buildings. Environmental and user-friendly products are in strong demand. Tremco CPG is following this trend and would like to score with innovative, low-emission and health-conscious product developments. Simplified assembly (gluing instead of screws) as well as regulations and guidelines for passive fire protection should have a positive effect on all Tremco CPG product segments.

general economic prospects

The "dip" in the German economy expected for the winter half-year due to Corona and supply chain problems was even more pronounced as a result of the Ukraine crisis in the first quarter of this year. In part, the increased uncertainty is causing reluctance to make investment and purchasing decisions, but the sharp rise in energy prices is also dampening real purchasing power. Overall, the price- and seasonally adjusted gross domestic product fell in the first quarter of calendar year 2022, as in the final quarter of calendar year 2021. The recovery of the German economy from the lockdown-related slumps in spring 2020, early 2021 and late 2021 was further delayed. The Ukraine crisis is also having a significant negative impact on the German economy. Uncertainty has risen noticeably and the resulting further strong rise in energy prices is increasing inflation and reducing real purchasing power. Under the current, significantly deteriorated conditions, economic growth of only 2% is now expected for 2022 and 3% for 2023. In the event of further escalation, a recession might even have to be expected, depending on the scope of any counter-sanctions. The energy prices, which have risen sharply again, have "slowed the expected decline in consumer prices".¹⁴

¹⁴ <https://www.bvse.de/recycling/recycling-nachrichten/8276-recession-risk-in-further-escalation-of-the-ukraine-crisis.html>

Economic prospects for the construction industry

For the calendar year 2021, the DIW sees a nominal increase of almost 3% in terms of construction volume and for 2022, up to the start of the war in Ukraine, there was even a good +5%, as cheap real estate loans and the stabilization of household incomes continued. Measures taken by the federal government are helping housing construction, while commercial construction is shrinking due to the crisis, which has not yet been fully overcome, and the change in the world of work ¹⁵.

The forecast published by the Federal Statistical Office on March 1, 2022 for sales in the construction industry in Germany up to 2024 also assumed nominal sales growth of +4.8% for 2022 ¹⁶ .

However, the effects of the war waged by Russia against Ukraine are also affecting the construction industry in Germany. Serious material price increases and imminent delivery problems can be the result. In addition, construction companies, like other parts of the German economy, are confronted with massively increasing energy and fuel prices, especially diesel fuel. However, according to the industry associations, the price increases are not yet a sign of material shortages, but rather of fear of imminent delivery failures. To what extent and, above all, when there will be material bottlenecks on the supply side, cannot be conclusively assessed at this time. Groups of construction products that are particularly affected are petroleum-based materials such as bitumen, an important component of asphalt for road construction, steel and aluminium, most of which are sourced from Russia and the Ukraine. At the same time, it is becoming increasingly difficult for companies to buy products such as sheet piling and epoxy resins or even covering foil and hardwood on the market.¹⁷

¹⁵ https://www.div.de/de/diw_01.c.808427.de/publications/weekly_reports/2021_01_1/bauwirtschaft_defies_the_corona-crisis_-----nevertheless_calmer_business_in_year_2021.html ¹⁶ <https://de.statista.com/Statistics/daten/studie/247959/Survey/prognosis-on-turnover-im-baugewerbein-deutschland/> ¹⁷ <https://www.bauindustrie.de/pm/kunden-des-krieges-in-der-ukraine-fuer-den-bau>

Expected development of Tremco CPG Germany GmbH

Sales and earnings In forecasting our business development, we have carefully considered the opportunities described for future business development. We have not taken into account any significant effects of the risks presented, as we consider them to be manageable due to the general economic conditions and the risk minimization measures taken.

We are not yet severely affected by the effects of the war in Ukraine, but of course we are monitoring price developments on the procurement markets very closely. We are continuing the corona protection measures - adapted to the respective situation (currently, for example, renewed support for "home office" and 2G regulation for external visitors).

Based on the US GAAP Reporting Package, we are planning a further increase in sales to EUR 143.0 million (+6.3%) for the 2021/2022 financial year due to the further development of sales markets (also within the group of companies) with an improvement in the cost of sales ratio of 1.3 percentage points. However, at the time the annual planning was prepared, the increasing pressure on the procurement side in the form of massive price increases, which we can often only pass on to our customers with a delay, and longer delivery times, which we have to counteract by increasing our inventories, was not yet fully foreseeable .

As a result of increased sales, an improved gross margin of around EUR 4.0 million and disproportionately low increases in selling and administrative expenses, we expect an improvement in operating income to EUR 19.7 million.

According to our planning, working capital will increase slightly, since trade receivables should increase in proportion to sales and the increased raw material stocks can be financed at least in part by increasing trade payables.

According to the results available so far for the current financial year, we are within the scope of our planning in terms of third-party sales. However, we have not yet been able to fully achieve the planned improvement in margins due to the developments on the procurement side described above. However, since the operating income we have achieved to date and our cost of sales ratio are only slightly below plan, we remain optimistic that we will achieve our targets for the year.

With a view to the 2022/2023 financial year, we would like to continue our growth in the financial performance indicators of the past few years.

investments

Replacement and rationalization investments of EUR 1.8 million are primarily expected for the current financial year; none of our production plants are planning special large-scale projects in the current financial year. We intend to finance these investments from the cash flow from operating activities and from the group-wide cash pooling.

staff

In the past financial year 2020/2021, the number of employees initially fell slightly compared to the reporting year, but by the end of the financial year it had reached the level of the previous year, with the number of employees shifting slightly towards blue-collar employees. Here we are planning a further increase in the current financial year in order to be able to serve the increased demand for our products. Against this background, we plan for the 2021/2022 financial year with an average number of employees of 375 people.

We are planning for the 2021/2022 financial year and the following financial years without any major accidents at work.

environmental Protection

For the 2021/2022 financial year and the following financial years, we plan that our company will meet all environmental protection requirements.

Bodenwöhr, March 18, 2022

Tremco CPG Germany GmbH

Walter Geyer

Daniel Johnson

Richard Hill

Balance sheet as of May 31, 2021

assets

	31.5.2021 EUR	Previous year EUR
A. Fixed assets		
I. Intangible assets		
1. Purchased Software	44,829.66	79,924.36
2. Purchased Patents	25,915.94	24,588.42
3. Purchased customer base	360,453.70	500,000.00
	431,199.30	604,512.78
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	432,950.60	505,719.74
2. Technical installations and machines	10,611,716.56	10,258,879.56
3. Furniture and fixtures	3,989,259.52	4,097,186.57
4. Payments on account and assets under construction	299,100.09	1,488,608.95
	15,333,026.77	16,350,394.82
III. financial investments		
Shares in affiliated companies	6,284,043.13	6,284,043.13
	22,048,269.20	23,238,950.73
B. Current Assets		
I. Inventories		
1. Raw, auxiliary and operating materials	3,880,488.67	2,323,592.00
2. Work in progress	1,187,728.19	1,202,683.85
3. Finished Goods and Merchandise	5,202,138.94	6,095,861.36
	10,270,355.80	9,622,137.21
II. Receivables and other assets		
1. Trade accounts receivable	13,351,679.03	10,771,662.33
2. Receivables from affiliated companies	10,884,025.10	4,001,628.76
3. Other Assets	505,973.45	594,017.19
	24,741,677.58	15,367,308.28
III. Bank balances and cash on hand	1,880.44	160,137.24
	35,013,913.82	25,149,582.73
C. Prepaid expenses	307,803.98	255,653.83
	57,369,987.00	48,644,187.29

liabilities

	31.5.2021 EUR	Previous year EUR
A. Equity		
I. Share Capital	1,176,000.00	1,176,000.00
II. Capital Reserve	12,751,960.57	12,751,960.57
	13,927,960.57	13,927,960.57
B. Provisions		
1. Provisions for pensions and similar obligations	2,441,851.00	2,407,504.00
2. Other provisions	7,899,051.20	6,798,206.50
	10,340,902.20	9,205,710.50
C. Liabilities		
1. Trade accounts payable	8,800,004.68	5,905,490.67
2. Liabilities to affiliated companies	23,791,495.26	19,313,243.44
3. Other Liabilities	509,624.29	291,782.11
	33,101,124.23	25,510,516.22
	57,369,987.00	48,644,187.29

Profit and Loss Account for the period June 1, 2020 to May 31, 2021

	2020/2021 EUR	Previous year EUR
1. Revenue	134,511,912.56	124,821,958.07
2. Production costs of the services rendered to generate sales	101,507,746.23	94,300,022.70
3. Gross profit on sales	33,004,166.33	30,521,935.37

	2020/2021	Previous year
	EUR	EUR
4. Selling Expenses	14,836,156.60	16,293,779.53
5. General Administrative Expenses	6,531,826.68	8,376,045.63
6. Other operating income	1,480,417.91	1,077,002.84
7. Other Operating Expenses	191,515.82	599,855.93
8. Income from participations	350,079.58	398,020.86
9. Other Interest and Similar Income	4,498.93	3,412.20
10. Interest and Similar Expenses	154,088.50	270,524.33
11. Income taxes	4,074,174.29	1,827,546.67
12. Earnings after taxes	9,051,400.86	4,632,619.18
13. Other Taxes	47,540.29	40,959.80
14. Profit transferred on the basis of a profit transfer agreement (-)	-9,003,860.57	-4,591,659.38
15. Net Income	0.00	0.00

Annex for 2020/2021

I. General information on the annual financial statements, accounting and valuation methods

1. General information

These annual financial statements were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. HGB, the relevant provisions of the GmbHG and the accounting provisions of the German Commercial Code.

The regulations for large corporations within the meaning of Section 267 (3) HGB apply. The details of which are presented in full in the notes. The income statement is structured according to the cost of sales method in accordance with Section 275 (3) HGB.

2. Accounting and valuation methods

With the exception described above, the following accounting and valuation methods were decisive for the preparation of the annual financial statements.

Purchased **intangible fixed assets** are stated at acquisition cost, taking into account ancillary acquisition costs and acquisition cost reductions, and are reduced by scheduled straight-line depreciation. Asset additions are depreciated pro rata temporis in the year of acquisition. Any recognizable permanent reductions in value are taken into account by unscheduled depreciation.

Property, **plant and equipment** are stated at acquisition cost, taking into account ancillary acquisition costs and acquisition cost reductions, and are reduced by scheduled depreciation. Asset additions are depreciated pro rata temporis in the year of acquisition. Property, plant and equipment are depreciated using the straight-line method over their expected useful lives.

Low-value assets up to a net individual value of EUR 150.00 are expensed immediately in the year of acquisition. Low-value assets up to a net individual value of EUR 800.00 are written off in full in the year of acquisition; their immediate departure was assumed. These assets are shown in the asset history sheet as additions and disposals for the current financial year.

The following useful lives are used as a basis for depreciation:

- Purchased Software 3 to 10 years
- Purchased customer base 5 years
- Purchased patents 9 years
- Site facilities, fixtures in buildings 8 to 22 years
- Technical systems and machines 8 to 12 years
- Factory and office equipment 1 to 20 years

In the case of **financial assets**, the shares are stated at acquisition cost, taking into account ancillary acquisition costs and acquisition cost reductions or lower applicable values. Write-downs to the lower fair value are made if the impairment is expected to be permanent.

Inventories are stated at acquisition and production costs.

Inventories of **raw materials, consumables and supplies** are capitalized at their acquisition costs, taking into account ancillary acquisition costs and acquisition cost reductions on the basis of individual valuation or at lower current prices on the balance sheet date.

Work **in progress and finished goods** are stated at production cost in accordance with Section 255 (2) HGB, taking into account the lower of cost or market principle. In addition to the direct material and production costs, the production costs also include appropriate parts of the material and production overheads as well as depreciation on the fixed assets used in production. General administration costs and interest on borrowed capital were not included in the production costs.

Merchandise is stated at acquisition cost, taking into account ancillary acquisition costs and acquisition cost reductions based on individual valuation or lower market prices.

Appropriate devaluations have been made for all inventory risks. Apart from customary retention of title, the inventories are free of third-party rights.

Receivables and other assets are stated at their nominal value. Recognizable individual risks are taken into account through appropriate individual value adjustments. Receivables in foreign currencies are posted at the mean spot exchange rate at the end of

the month in which they are posted. Receivables in foreign currencies with a remaining term of no more than one year are valued at the mean spot exchange rate on the balance sheet date. As in the previous year, there are no foreign currency receivables with a remaining term of more than one year.

Cash on hand and bank balances are reported at their nominal value.

Expenses before the balance sheet date are reported as prepaid expenses if they represent expenses for a specific period after this date.

The **share capital** is stated at nominal value.

Provisions **for pensions and similar obligations** are calculated according to the projected unit credit method using the "2018 G mortality tables" by Prof. Dr. Klaus Heubeck determined. The average market interest rate of the past 10 years for the assumed remaining term of 15 years of 2.12% was used for discounting in accordance with the Provision Discounting Ordinance of November 18, 2009, last amended by Art. 9 of the law of March 11, 2016. Furthermore, an expected salary increase of 2.50% pa, a contribution assessment ceiling trend of 1.75% pa and a pension trend of 1.75% pa were taken as a basis. Age- and gender-dependent fluctuation probabilities were used to take fluctuation into account. The effects of the change in the discount rate are reported in the financial result.

The difference in provisions for pensions between the recognition of the provisions based on the average market interest rate over the past ten financial years and the recognition of the provisions based on the average market interest rate of the past seven financial years (1.47%) amounts to EUR 163 thousand as of May 31, 2021 (previous year: EUR 183 thousand). This amount is barred from distribution in accordance with Section 253 (6) HGB.

In the **other provisions**, individual provisions have been made to an appropriate and sufficient extent for all recognizable risks and uncertain liabilities as well as for imminent losses. Provisions are valued at the settlement amount required based on prudent business judgement. Long-term provisions with a term of more than one year are discounted at the interest rate specified by the Deutsche Bundesbank according to the term. Future price and cost increases are taken into account. No use was made of the option to discount short-term provisions.

The **provisions for jubilee benefits** are determined using the projected unit credit method using the "2018 G mortality tables". The average market interest rate of 1.47% with a remaining term of 15 years was used for discounting in accordance with the Provision Discounting Ordinance of November 18, 2009. Furthermore, an expected salary increase of 2.50% pa and a contribution assessment ceiling trend of 1.75% pa were taken as a basis. Age- and gender-dependent fluctuation probabilities were used to take fluctuation into account.

The **provisions for partial retirement obligations** are determined according to the regulations of the IDW statement of June 19, 2013 using the "Richttafeln 2018 G". The valuation was based on an interest rate of 1.47% and expected salary increases of 2.50%. The assets that serve exclusively to meet the pension obligations and are not accessible to all other creditors (plan assets within the meaning of Section 246 (2) sentence 2 HGB) were offset at their fair value against the provisions for semi-retirement (provision portion for the settlement amount). This fair value (EUR 212 thousand) also represents the amortized cost of the reinsurance policy.

Liabilities are stated at their settlement **amount**. Liabilities in foreign currencies are posted at the mean spot exchange rate at the end of the month of posting. Liabilities in foreign currencies with a remaining term of no more than one year are valued at the mean spot exchange rate on the balance sheet date. As in the previous year, there are no foreign currency liabilities with a remaining term of more than one year.

3. Deferred taxes

We have exercised the option to account for deferred taxes on temporary differences and loss carryforwards in such a way that these are accounted for by the parent company, tremco illbruck Group GmbH, Bodenwöhr (formerly: Cologne).

4. Profit and Loss Account

Revenues from deliveries and services are reported when the deliveries or services have been performed and the risk has passed.

Effects from changes in the discount rate are reported in the financial result.

II. Notes to the balance sheet

1. Schedule of assets

The development of the individual items of fixed assets is shown in the statement of changes in fixed assets, including the depreciation for the financial year.

2. Shareholding Disclosures

name, seat	currency	participation %	Equity capital kEUR	Result kEUR
RPM German Real Estate GmbH & Co. KG, Bodenwöhr (formerly: Cologne)	EUR	89.9	7,386	389

Tremco CPG Germany GmbH, Bodenwöhr, is the general partner and RPM German Real Estate Management GmbH, Bodenwöhr (formerly: Cologne), the limited partner of RPM German Real Estate GmbH & Co. KG, Bodenwöhr (formerly: Cologne).

3. Residual terms of receivables and other assets

As in the previous year, trade receivables and receivables from affiliated companies have a remaining term of up to one year. Other assets have a remaining term of more than one year in the amount of EUR 187 thousand (previous year: EUR 135 thousand) and a remaining term of up to one year in the amount of EUR 319 thousand (previous year: EUR 459 thousand).

4. Receivables from affiliated companies

Receivables from affiliated companies relate to trade accounts receivable in the amount of EUR 8,990 thousand (previous year: EUR 3,604 thousand), receivables from cash pooling in the amount of EUR 1,544 thousand (previous year: EUR 0 thousand) and EUR 350 thousand (previous year: EUR 398 thousand).) Receivables from the profit allocation of RPM German Real Estate GmbH & Co. KG,

Bodenwöhr (formerly: Cologne). Receivables from the shareholder amount to EUR 2,612 thousand (previous year: EUR 1,219 thousand).

5. Other Provisions

The other provisions (EUR 7,899k; previous year: EUR 6,798k) essentially include provisions for personnel (EUR 4,414k; previous year: EUR 4,050k), outstanding supplier invoices (EUR 864k; previous year: EUR 1,368k) and warranties (EUR 360k; previous year: EUR 387k) and customer bonuses (EUR 1,031 thousand; previous year: EUR 802 thousand).

The following offsetting was carried out in the balance sheet to show the provision for semi-retirement:

	05/31/2021
	kEUR
Partial retirement obligations for the settlement amount	181
Cover assets at fair value (acquisition costs EUR 243k)	119
	62

Expenses and income from compounding and from the plan assets to be offset were offset as follows:

	05/31/2021
	kEUR
Income from cover assets	0
Expenses from compounding	-4
Disclosure in the income statement	-4

6. Liabilities to affiliated companies

Liabilities to affiliated companies relate to trade payables of EUR 10,713 thousand (previous year: EUR 7,220 thousand) of EUR 9,004 thousand (previous year: EUR 4,591 thousand) and obligations from a profit and loss transfer agreement of EUR 4,074 thousand (previous year: EUR 1,827 thousand) Obligations from tax allocations, in the amount of EUR 0 thousand (previous year: EUR 5,675 thousand) Liabilities from cash pooling. Liabilities to the shareholder amount to EUR 17,884 thousand (previous year: EUR 12,729 thousand).

7. Residual Maturities of Liabilities

All liabilities are unsecured and – as in the previous year – have a remaining term of up to one year. Tax liabilities amount to EUR 175 thousand (previous year: EUR 110 thousand).

8. Off-Balance Sheet Transactions

As of May 31, 2021, there were off-balance-sheet transactions in the form of operating leases, the maturities of which are as follows:

	Purpose	due fiscal year 2021/2022	Due financial years 2022/2023- 20225/2026	due from the 2026/2027 financial year
Leasing of items of factory and office equipment	use	581,058.36	364,880.76	0.00

The leasing agreements serve to secure liquidity and generate competitive advantages through longer payment terms. Disadvantages of the leasing agreements result from higher overall costs, since the leasing installments as a whole exceed the costs of a debt-financed purchase of the leasing goods. In addition, the lessee has to bear the running costs such as insurance, repairs and maintenance.

9. Other Financial Obligations

Other financial obligations amount to EUR 6,203k and break down as follows:

	Purpose	due fiscal year 2021/ 2022	Due financial years 2022/2023- 20225/2026	due from the 2026/2027 financial year
maintenance and rent	use	1,705,482.68	3,949,983.36	11,341.78
royalties	use	440,000.00	0.00	0.00
Investments in fixed assets	investment	96,530	0.00	0.00
total		2,242,012.68	3,949,983.36	11,341.78

The financial obligations from maintenance and rent mainly result from the rent of buildings and land that were sold to RPM German Real Estate GmbH & Co. KG, Bodenwöhr (formerly: Cologne). There are financial obligations from license fees to the tremco illbruck Group GmbH. There are other financial obligations to affiliated companies in the amount of EUR 5,177 thousand.

III. Notes to the Profit and Loss Account

1. Breakdown of Revenue

	fiscal year 2020 / 2021	fiscal year 2019 / 2020
sales after product areas		
Sealing tapes, structural glazing, polyurethane foam, sealants and adhesives	106,450,793.26	96,209,822.42
Profiles, foils, strips, others	28,104,958.66	27,890,076.72
Income from further billing of services	5,893,391.81	5,878,014.77
gross sales	140,449,143.73	129,977,913.91

	fiscal year 2020 / 2021	fiscal year 2019 / 2020
sales after product areas		
sales deductions	-5,937,231.17	-5,155,955.84
Net sales	134,511,912.56	124,821,958.07

Approximately 59% (previous year: 63%) of sales are generated in Germany and 41% (previous year: 37%) abroad. Approximately 12% (previous year: 6%) of sales are generated outside the European Union and 29% (previous year: 31%) in the European Union.

2. Cost of materials for the financial year, broken down according to Section 275 (2) No. 5 HGB

	fiscal year 2020 / 2021	fiscal year 2019 / 2020
Expenses for RHB and for purchased goods	77,619,424.04	70,390,372.06
Expenses for purchased services	1,357,790.32	1,226,766.34
cost of materials	78,977,214.36	71,617,138.40

3. Personnel expenses for the financial year, broken down according to Section 275 (2) No. 6 HGB

	fiscal year 2020 / 2021	fiscal year 2019 / 2020
Wages and salaries	18,300,350.60	17,743,643.43
Social security contributions and expenses for pensions and for assistance of that for pensions	3,663,202.21	3,674,571.63
personnel expenses	21,963,552.81	214,182,15.06

4. Selling Expenses

Unscheduled depreciation of intangible assets in the amount of EUR 0 thousand (previous year: EUR 1,254 thousand) is reported under selling expenses.

5. Other operating income

Income relating to other periods essentially relates to income from the reversal of provisions in the amount of EUR 511 thousand (previous year: EUR 487 thousand).

Other operating income includes income from currency translation of EUR 12 thousand (previous year: EUR 25 thousand).

6. Other Operating Expenses

Other operating expenses include expenses from currency translation of EUR 20 thousand (previous year: EUR 24 thousand).

7. Income from investments and financial result

Income from investments consists of EUR 350 thousand (previous year: EUR 398 thousand) from affiliated companies. Interest income from affiliated companies amounts to EUR 4 thousand (previous year: EUR 3 thousand). Interest expenses exist in the amount of EUR 81 thousand (previous year: EUR 186 thousand) to affiliated companies and in the amount of EUR 73 thousand (previous year: EUR 85 thousand) from the compounding of long-term provisions.

8. Group income tax allocation

The income tax allocation burdens the result with EUR 4,074 thousand (previous year: EUR 1,828 thousand).

IV. Other information

1. Names and occupation of the managing directors

The business of the company was managed by:

- Walter Geyer, businessman/Managing Director Business Unit Tapes & Membranes of the Construction Product Group Europe, Schwandorf
- Daniel Matthew Johnson, Salesperson/Chief Financial Officer, Construction Product Group Europe, Merseyside, UK
- Melissa Schoger, Chief Executive Officer of Construction Product Group Europe, Munich (until March 9, 2022)
- Richard Murray Hill, Vice President of Sales at Construction Product Group Europe, Langford/Bedfordshire, Great Britain (since March 9, 2022)

The company makes use of the exemption provision of Section 286 (4) HGB with regard to the disclosure of managing directors' remuneration.

2. Number of employees

The average number of employees during the financial year was:

	Fiscal year 2020 / 2021	Fiscal year 2019 / 2020
Industrial workers	171	174
Employee	168	170
In total	339	344

3. Group relationships

Tremco CPG Germany GmbH, Bodenwöhr, is a 100% subsidiary of the tremco illbruck Group GmbH, Bodenwöhr (formerly: Cologne). The annual financial statements of our company are included in the consolidated financial statements of RPM International Inc., based in Medina, Ohio/USA, which prepares consolidated financial statements for the smallest and largest group of companies. The consolidated financial statements are available for inspection at the US Securities and Exchange Commission under registration number 00001106212 and at the Company's location.

4. Auditor's fee

The fee charged for the 2019/2020 financial year for auditing services by Deloitte GmbH Wirtschaftsprüfungsgesellschaft amounted to EUR 120 thousand (previous year: EUR 116 thousand). Apart from the audit, no other services were provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft.

5. Events of particular importance after the end of the financial year

Russia's attack on Ukraine has had a significant impact on the global economy and on developments in Germany. Shortly after the start of the attack on Ukraine, we stopped all business relations with Russia. However, due to the magnitude of these relationships, the discontinuation of the business relationships will not have any significant impact on the net assets, financial position and results of operations of Tremco CPG Germany GmbH.

Bodenwöhr, March 18, 2022

Tremco CPG Germany GmbH

Walter Geyer

Daniel Johnson

Richard Hill

Development of fixed assets in the 2020/2021 financial year

gross book values

	As of June 1st, 2020 EUR	additions EUR	transfers EUR	departures EUR	As of May 31, 2021 EUR
I. Intangible assets					
1. Purchased Software	1,252,689.89	2,473.35	0.00	0.00	1,255,163.24
2. Purchased Patents	747,481.07	5,000.00	0.00	34,761.66	717,719.41
3. Purchased customer base	2,447,000.00	0.00	0.00	0.00	2,447,000.00
4. Goodwill	3,235,453.51	0.00	0.00	0.00	3,235,453.51
	7,682,624.47	7,473.35	0.00	34,761.66	7,655,336.16
II. Tangible assets					
1. Land, land rights and buildings, including buildings on third-party land	867,593.20	0.00	0.00	0.00	867,593.20
2. Technical installations and machines	28,248,878.95	511,306.63	1,317,785.94	77,880.31	30,000,091.21
3. Furniture and fixtures	11,454,269.29	348,569.87	170,823.01	201,993.91	11,771,668.26
4. Payments on account and assets under construction	1,488,608.95	299,100.09	-1,488,608.95	0.00	299,100.09
	42,059,350.39	1,158,976.59	0.00	279,874.22	42,938,452.76
III. financial investments					
Shares in affiliated companies	6,284,043.13	0.00	0.00	0.00	6,284,043.13
	56,026,017.99	1,166,449.94	0.00	314,635.88	56,877,832.05
accumulated depreciation					
	As of June 1st, 2020 EUR	additions EUR	departures EUR	As of May 31, 2021 EUR	
I. Intangible assets					
1. Purchased Software	1,172,765.53	37,568.05	0.00	1,210,333.58	
2. Purchased Patents	722,892.65	3,672.48	34,761.66	691,803.47	
3. Purchased customer base	1,947,000.00	139,546.30	0.00	2,086,546.30	
4. Goodwill	3,235,453.51	0.00	0.00	3,235,453.51	
	7,078,111.69	180,786.83	34,761.66	7,224,136.86	
II. Tangible assets					
1. Land, land rights and buildings, including buildings on third-party land	361,873.46	72,769.14	0.00	434,642.60	
2. Technical installations and machines	17,989,999.39	1,471,581.91	73,206.65	19,388,374.65	
3. Furniture and fixtures	7,357,082.72	622,573.97	197,247.95	7,782,408.74	

	accumulated depreciation			As of May 31, 2021 EUR
	As of June 1st, 2020 EUR	additions EUR	departures EUR	
4. Payments on account and assets under construction	0.00	0.00	0.00	0.00
	25,708,955.57	2,166,925.02	270,454.60	27,605,425.99
III. financial investments				
Shares in affiliated companies	0.00	0.00	0.00	0.00
	32,787,067.26	2,347,711.85	305,216.26	34,829,562.85
net book values				
			As of May 31, 2021 EUR	Previous year kEUR
I. Intangible assets				
1. Purchased Software			44,829.66	80
2. Purchased Patents			25,915.94	25
3. Purchased customer base			360,453.70	500
4. Goodwill			0.00	0
			431,199.30	605
II. Tangible assets				
1. Land, land rights and buildings, including buildings on third-party land			432,950.60	506
2. Technical installations and machines			10,611,716.56	10,259
3. Furniture and fixtures			3,989,259.52	4,097
4. Payments on account and assets under construction			299,100.09	1,488
			15,333,026.77	16,350
III. financial investments				
Shares in affiliated companies			6,284,043.13	6,284
			22,048,269.20	23,239

INDEPENDENT AUDITOR'S REPORT

To Tremco CPG Germany GmbH, Bodenwöhr

audit opinions

We have the annual financial statements of Tremco CPG Germany GmbH, Bodenwöhr, - consisting of the balance sheet as of May 31, 2021 and the income statement for the financial year from June 1, 2020 to May 31, 2021 and the notes, including the presentation of the Accounting and valuation methods – checked. In addition, we have audited the management report of Tremco CPG Germany GmbH, Bodenwöhr, for the fiscal year from June 1, 2020 to May 31, 2021.

According to our assessment based on the knowledge gained during the audit

- The attached annual financial statements comply in all material respects with the German commercial law regulations applicable to corporations and, in compliance with the German principles of proper accounting, convey a true and fair view of the assets and financial position of the company as of May 31, 2021 and its earnings position for the financial year from June 1, 2020 to May 31, 2021 and
- the attached management report as a whole provides an accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with § 322 Para. 3 Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for the test results

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code, taking into account the German generally accepted auditing principles established by the Institute of Public Auditors in Germany (IDW). Our responsibility under those requirements and standards is further described in the "Auditor's responsibility for the audit of the financial statements and management report" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law provisions applicable to corporations in all material respects, and for the fact that the annual financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the assets, financial - and results of operations of the company. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be

necessary in accordance with the German principles of proper accounting in order to enable the preparation of annual financial statements,

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, sofern dem nicht tatsächliche oder rechtliche Gegebenheiten entgegenstehen.

Außerdem sind die gesetzlichen Vertreter verantwortlich für die Aufstellung des Lageberichts, der insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner sind die gesetzlichen Vertreter verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die sie als notwendig erachtet haben, um die Aufstellung eines Lageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen, und um ausreichende geeignete Nachweise für die Aussagen im Lagebericht erbringen zu können.

Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts

Unsere Zielsetzung ist, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist, und ob der Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss sowie mit den bei der Prüfung gewonnenen Erkenntnissen in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt, sowie einen Bestätigungsvermerk zu erteilen, der unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht beinhaltet.

Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführte Prüfung eine wesentliche falsche Darstellung stets aufdeckt. Falsche Darstellungen können aus Verstößen oder Unrichtigkeiten resultieren und werden als wesentlich angesehen, wenn vernünftigerweise erwartet werden könnte, dass sie einzeln oder insgesamt die auf der Grundlage dieses Jahresabschlusses und Lageberichts getroffenen wirtschaftlichen Entscheidungen von Adressaten beeinflussen.

Während der Prüfung üben wir pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung. Darüber hinaus

- identifizieren und beurteilen wir die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Jahresabschluss und im Lagebericht, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zu dienen. Das Risiko, dass wesentliche falsche Darstellungen nicht aufgedeckt werden, ist bei Verstößen höher als bei Unrichtigkeiten, da Verstöße betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen bzw. das Außerkraftsetzen interner Kontrollen beinhalten können.
- gewinnen wir ein Verständnis von dem für die Prüfung des Jahresabschlusses relevanten internen Kontrollsystem und den für die Prüfung des Lageberichts relevanten Vorkehrungen und Maßnahmen, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit dieser Systeme der Gesellschaft abzugeben.
- beurteilen wir die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte und damit zusammenhängenden Angaben.
- ziehen wir Schlussfolgerungen über die Angemessenheit des von den gesetzlichen Vertretern angewandten Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die bedeutsame Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen können. Falls wir zu dem Schluss kommen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, im Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss und im Lagebericht aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser jeweiliges Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch dazu führen, dass die Gesellschaft ihre Unternehmenstätigkeit nicht mehr fortführen kann.
- beurteilen wir die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse so darstellt, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt.
- beurteilen wir den Einklang des Lageberichts mit dem Jahresabschluss, seine Gesetzesentsprechung und das von ihm vermittelte Bild von der Lage der Gesellschaft.
- führen wir Prüfungshandlungen zu den von den gesetzlichen Vertretern dargestellten zukunftsorientierten Angaben im Lagebericht durch. Auf Basis ausreichender geeigneter Prüfungsnachweise vollziehen wir dabei insbesondere die den zukunftsorientierten Angaben von den gesetzlichen Vertretern zugrunde gelegten bedeutsamen Annahmen nach und beurteilen die sachgerechte Ableitung der zukunftsorientierten Angaben aus diesen Annahmen. Ein eigenständiges Prüfungsurteil zu den zukunftsorientierten Angaben sowie zu den zugrunde liegenden Annahmen geben wir nicht ab. Es besteht ein erhebliches unvermeidbares Risiko, dass künftige Ereignisse wesentlich von den zukunftsorientierten Angaben abweichen.

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

Dusseldorf, March 18, 2022

Deloitte GmbH
auditing company
(Josef Kalvelage)
Certified public accountant
(Christian Booms)
Chartered Accountant

The annual financial statements as of May 31, 2021 of Tremco CPG Germany GmbH, Bodenwöhr, were approved on April 25, 2022.
