

# STEICO SE

## STEICO 2017 Half-year report

The green share

# 6 M 2017

- STEICO proves profitability

---

- Second quarter is most successful in the company's history in terms of revenues and earnings

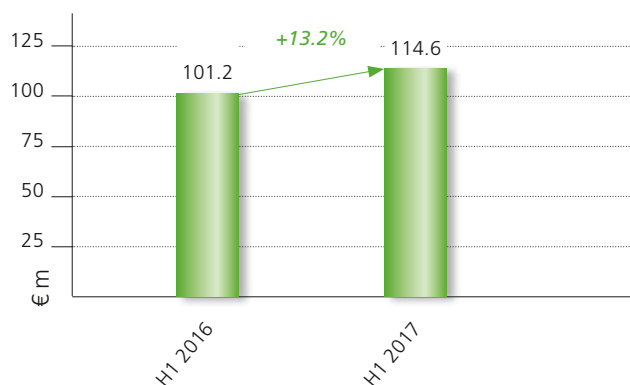


Natural building products for **healthier living**

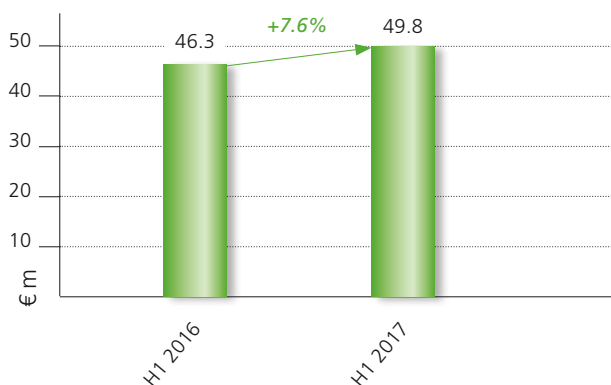
# Overview

Record-breaking figures in H1. STEICO proves profitability.

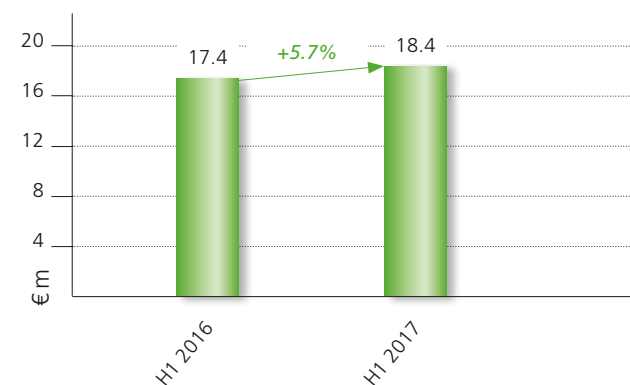
Revenue growth in € millions



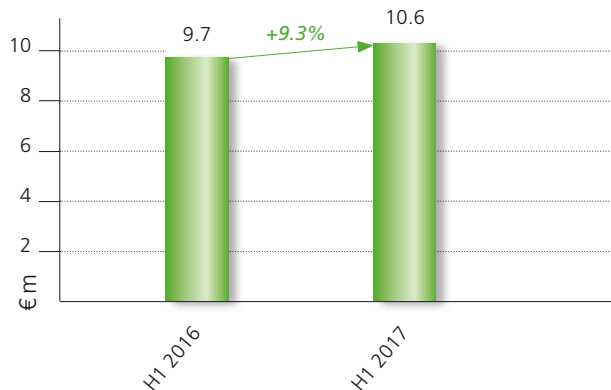
Gross earnings growth in € millions



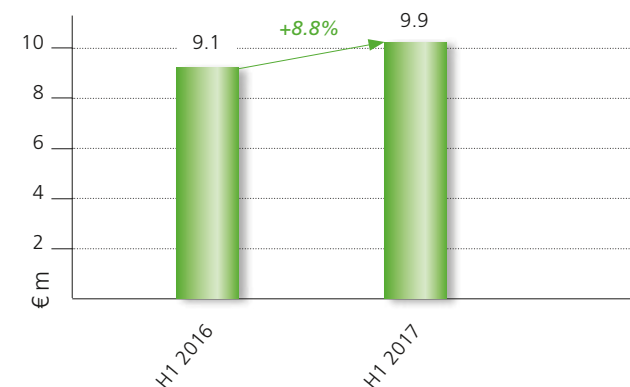
EBITDA growth in € millions



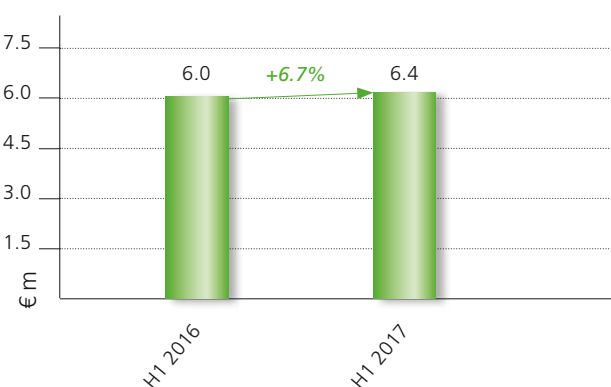
EBIT growth in € millions



EBT growth in € millions



Growth in profit for the period in € millions



## ADDITIONAL KPIS

	H1 2017	2016 as a whole	H1 2016
1. Total operating revenue in € millions	€ 113.2 million	€ 210.8 million	€ 105.8 million
2. EBITDA margin as a percentage of total operating revenue	16.3%	15.7%	16.5%
3. EBIT margin as a percentage of total operating revenue	9.3%	8.7%	9.2%
4. Equity ratio	43.4%	47.6%	47.5%

As a result of reclassifications as a result of the application of BilRUG there are minor differences compared to the previous year's figures. Percentage increases calculated based on rounded figures.

As a result of the high demand STEICO was able to run its production lines at practically full capacity in the first half of 2017 and its revenues lifted by 13.2% to € 114.6 million. Positive sales also meant that stocks of finished goods fell by around € 1.5 million with total operating revenue totaling € 113.2 million.

Earnings also enjoyed pleasing growth. After the massive devaluation of pounds sterling in the second half of 2016 hampered margin growth, STEICO returned to its usual profitability in the first half of 2017 which has just drawn to a close. It was possible to increase margins significantly despite the continuing impact of exchange rates. Margins have now returned to the levels recorded in the first half of 2016, which was unusually strong, and they are already higher than the total level recorded in the whole of 2016.

STEICO has also recorded new record-breaking results in terms of its absolute figures for the first half of 2017. EBITDA totalled € 18.4 million (previous year: € 17.4 million), and EBIT amounted to € 10.6 million (previous year: € 9.7 million). Net income for the period amounted to € 6.4 million (previous year: € 6.0 million).

Taken in isolation, the second quarter also confirmed the positive trend. It has been the most successful in STEICO's history in terms of both revenues and earnings.

Management believes that the positive growth will continue. As no external negative influences are expected in the second half of the year, management believes that the second half of the year will be significantly stronger than in the previous year.

For the year as a whole, management is forecasting revenues and EBIT to grow in the low double digit percentage range.

#### Company profile

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the European market leader in the wood-fibre insulation materials segment.

It is positioned as a system provider for ecological residential construction and is the only manufacturer in the industry to offer an integrated wooden construction system in which insulation material and construction components supplement each other. These include flexible and stable wood fiber insulation panels, composite thermal insulation systems, insulation panels with a reinforcing effect, as well as cavity wall insulation made of wood fibers and cellulose.

The construction elements comprise I-joists and laminated veneer lumber. In addition, the STEICO group also produces fiberboard and operates in the wood trade.

The Munich-based company's products are used in new construction and when renovating roofs, walls, ceilings, floors and facades. STEICO's products allow the construction of future-proof, healthy buildings with a particularly high quality of living and a healthy atmosphere. STEICO's products offer reliable protection against cold, heat and also noise, and they permanently improve the building's energy efficiency.

# Development of STEICO's shares

## A. PRICE DEVELOPMENT

STEICO's shares started the first six months of the year with a price of € 13.22 on 2 January 2017, which was their lowest price in this period. They peaked on 13 June 2017 at € 21.38.

STEICO's shares closed at a price of € 19.40 in Xetra trading on 30 June. This corresponds to an increase in value of 46.7% in the first six months.

Deutsche Börse introduced a new segment for small and medium-sized companies on 1 March 2017. The new segment is called "Scale" and replaces the previous "Entry Standard". After careful consideration, the managing board and managing directors of STEICO SE decided not to change to the new segment for the time being. Although STEICO SE meets all of the conditions required for listing, management does not believe that changing its segment would bring any notable added value for STEICO's shareholders.

STEICO SE thus continues to be listed on the "Basic Board" and in "m:access", a high quality segment for medium-sized companies on the Bavarian Stock Exchange. This decision will not impact the tradeability of STEICO's shares, which can still be traded on Xetra and on regional stock exchanges.



## B. INVESTOR RELATIONS

As was the case in previous years, STEICO SE engaged in open and direct communication with the capital markets in the first six months, and was also in close contact with its shareholders. The company presented itself to a broad audience of institutional and retail investors at several capital markets conferences. In addition, the company's management also met with numerous analysts and investors in face-to-face discussions, both at its offices in Feldkirchen and also at national and international roadshows.

STEICO SE meets its publication requirements and surpasses the requisite transparency guidelines, for example by regularly publishing quarterly reports. In addition, up-to-date press releases and financial reports are also always published on the Web site [www.STEICO.com/ir](http://www.STEICO.com/ir). Information on key events is disseminated via a well-known institution to comply with publicity obligations. In addition, key notices for the capital markets and financial reports are also published in English.

## C. CAPITAL MARKET DIARY 2017

Date	Activity
5/6 February 2017	STEICO presents the company at the "20th Oddo Forum", held by Oddo BHF Bank in Lyon
6 February 2017	Publication of provisional figures for 2017
7 February 2017	STEICO presents the company at the "12th HSBC SRI Conference" (Frankfurt a. M.)
15/16 February 2017	STEICO presents the company at the "11th German Conference" held by Oddo BHF Bank
26 April 2017	Publication of the 2016 STEICO annual report and publication of STEICO's 2017 Q1 report
9/10 May 2017	STEICO presents the company to institutional investors in Brussels, Cologne and Düsseldorf (roadshow with Oddo BHF Bank)
22 June 2017	Ordinary general meeting of STEICO SE
4/5 June 2017	STEICO presents the company to institutional investors Paris and Frankfurt am Main (roadshow with Oddo BHF Bank)
13/14 July 2017	STEICO presents the company to institutional investors in Zurich and London (roadshow with Oddo BHF Bank)
17 July 2017	Publication of the 2017 half-year report
October 2017	Planned publication of the Q3 report 2017
13 December 2017	STEICO presents the company at the Munich Capital Market Conference (MCK)

# Group management report for STEICO SE as of 30 June 2017

## A. FUNDAMENTALS OF THE GROUP

### I. THE STEICO GROUP'S BUSINESS MODEL

#### 1. OVERVIEW

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the European market leader in the wood-fibre insulation materials segment.

It is positioned as a system provider for ecological residential construction and is the only manufacturer in the industry to offer an integrated wooden construction system in which insulation material and construction components supplement each other. These include flexible wood fiber insulation materials, stable wood fiber insulation boards, wood fiber insulation boards for facade insulation ("WDVS"), bracing insulation boards, cavity insulation made of wood-fibre and cellulose as well as system products to insulate building shells.

Construction elements comprise I-joists and laminated veneer lumber. In addition, the STEICO Group also produces hardboards and operates in the timber wholesale trade. The product range in the United Kingdom also include products for ceiling and floor construction.

The STEICO Group's production equipment can also be used to produce a wide variety of specialty products such as door panels, pin-boards, etc. which are sold to various industrial customers.

#### 2. THE STEICO GROUP'S PRODUCTS AND SERVICES

The STEICO Group is a system provider for natural construction products in the insulation and construction sectors. Its core product range is "natural wood fibre insulation materials". During the first six months of 2017 the bulk of sales (60.4%) were generated with ecological wood-fibre insulation materials and cavity insulation for building and floor insulation.

The STEICO Group's current range of products and services comprises:

##### Wood-fibre insulation materials

STEICO's insulation materials are made from fresh soft wood. They are used in new construction and renovation work, offering protection from cold, heat and noise.

Wood-fibre insulation materials are produced by the Group's subsidiaries using various methods - the wet process on the one hand side and the dry process on the

other hand side. Both methods break down the wood into individual fibres using steam and mechanical treatment. The fundamental difference between the two methods is that the wet method uses wet fibres (formed into boards) and the fibres are dried before forming boards in the dry method. Depending on the technology, the dry method can be used to produce fibres for cavity insulation, flexible (compressible) mats or rigid insulation boards.

##### Cavity insulation

Cavity insulation is made of loose insulation fibres (wood or flakes (cellulose) which are blown into cavities in the building at high pressure, and which then compress in these cavities. The STEICO Group produces and sells cavity insulation made of wood fibres and - since 2016 - also made of cellulose flakes.

##### I-joists

I-joists are bearing structural components which look similar to traditional double-T joists. They comprise two "flanges" (square timber bars made of laminated veneer lumber) which are connected by a hard fibre board made by the company itself. STEICO I-joists offer advantages in terms of their costs/benefits and energy consumption and are an alternative to traditional construction products such as solid structural timber or laminated timber.

##### Laminated veneer lumber (LVL)

Laminated veneer lumber is a high-performance material and comprises several layers of veneer lumber laminated together. Its characteristics are that it is highly rigid and capable of bearing great loads, while simultaneously offering dimensional stability. Laminated veneer lumber is used for construction purposes and also in industrial applications (for example to produce doors and furniture). It is also a key component for I-joists (flange material). Laminated veneer lumber has been sold as a merchandise since 2008. The STEICO Group launched its own production facility for laminated veneer lumber in 2016 in Czarna Voda, where its Polish subsidiary is headquartered. This new line has allowed the Group to become less dependent on suppliers and increase its vertical integration.

At present STEICO is investing around € 45 million in a second line to double its production capacity to 160,000 cbm. This is expected to be completed in the middle of 2018.

##### Timber wholesale

STEICO SE runs a wholesale trade for timber products. This

dates back to the company's former orientation and now continues to be run with a low level of staff. It generates revenues with wood products that are mostly imported from south-eastern European countries or Poland. They are bought by wood wholesalers and the furniture industry in Germany. The range of merchandise includes timber through to semi-finished products for building furniture (for example products cut to customer-specific instructions).

STEICO UK Ltd. runs a wholesale trade in the United Kingdom for wood and wood composite boards to supplement its sales of I-joists. It is standard practice on the UK market for building companies to offer end-to-end ceiling systems - including planning, joists (I-joists) and wood composite boards for floor construction from a single source.

## Special products

---

The Special products segment bundles all of the products that the group produces itself and which are not directly related to the construction sector. These include, for example, wood fibre boards for pin-boards or door panels as well as other products for industrial applications and exports.

## Hardboards

---

The production of hardboards is similar to the production of wood-fibre insulation materials using the wet method. The difference is that the wet fibres are pressed using particularly high pressure to form stable boards. Fibreboards are used in the furniture industry, for example as the backs of cupboards or drawer bottoms. They are also used as standard construction boards in many markets, for example for roof boards. At the STEICO Group, fibreboards are a key component in the production of I-joists, where they form the so-called web. The sale of these boards to external customers is no longer of any strategic importance due to the low margins.

## Others

---

The others segment bundles various marginal activities, such as accessories for wood fiber insulation boards for facade insulation, vapour barrier membranes and other accessories, such as tools for working with insulation materials.

## Services

---

STEICO offers a series of supplementary services, for example the "STEICO Academy" range of seminars. These seminars provide training for craftsmen, architects and trade representatives on how to use the STEICO

construction system. In addition, STEICO also has its own department for technical advice for developers, craftsmen and planners. As a rule services are provided free of charge.

## 3. PROCUREMENT

The fresh wood required for the production of wood fibre products in Poland is mostly procured from the Polish state forest. The quantities to be procured and the prices are agreed for one year in each case.

In France, wood is purchased from several private providers, such as sawmills.

The wood is sourced from sustainably managed forests in the region surrounding the production facilities and is certified by the well-known institutes FSC and PEFC.

## 4. SALES AND CUSTOMERS

The STEICO Group's direct customers are mostly broken down into the customer groups of wood and building material merchants, major wood construction companies and prefabricated house manufacturers as well as DIY stores (in some cases via distributors) and industrial customers (e.g. manufacturers of laminated/parquet floors, furniture manufacturers, producers of construction materials).

In addition, other key customer groups include:

- Workshops and wood construction companies which process the products.
- Architects and planners which already decide to use STEICO products when planning buildings.
- Private and institutional developers. STEICO's products are used in their buildings.

# Group management report for STEICO SE as of 30 June 2017

## II. MANAGEMENT SYSTEM AND SHAREHOLDER STRUCTURE

Within the Group, STEICO SE acts as the holding company and is responsible for sales management, marketing, investments, product development, finances and controlling. 67.2% of shares are allocated to the Chairman of the Board of Directors/Managing Director Mr. Udo Schramek, and the remaining 32.8% of shares are held in free float.

## III. RESEARCH AND DEVELOPMENT

Research and development (R&D) activities in the first six months focused on optimising product characteristics for wood fibre insulation boards and developing new products in the product range, in particular:

- Supporting research work in parallel to operating the Group's own production line for laminated veneer lumber
- Research activities to develop formaldehyde-free binding agents for wood materials
- Developing and optimising cellulose air injected insulation
- Developing and optimising wet method wood fibre insulation materials
- Developing and optimising dry method wood fibre insulation materials, e.g. setting up the Group's own EWl (external wall insulation) system STEICO*secure*
- Research to optimise the fire and smouldering performance for STEICO's insulation materials
- Research to optimise the heat conduction properties for STEICO's insulation materials
- Research to optimise emissions from wood fibre insulation materials and laminated veneer lumber in interior spaces

Future R&D activities will continue to focus on expanding the integrated construction system.

## B. BUSINESS REPORT

### I. GENERAL ECONOMIC AND INDUSTRY-RELATED UNDERLYING CONDITIONS

#### 1. ECONOMIC GROWTH

The European economy can look back on pleasing growth in the first few months of the year. Current figures from the Eurostat statistics office are available for the first quarter and show an increase in the adjusted gross domestic product compared to the same quarter of the previous year of 1.9% for the Eurozone and 2.1% for EU28.<sup>1</sup>

The European construction industry can look back on very positive growth in the first few months of the year. According to Eurostat's figures, production in the Eurozone construction sector grew by 1.8% in the first quarter of 2017. This figure was even up by 2.6% in the EU28 countries. This growth is supported by additional figures, which are available through to April 2017. Compared to the same month of the previous year, production in the construction sector was up by 3.2% in the Eurozone and 2.7% in EU28 countries. This means that the positive trend which has been perceptible since 2015 is becoming stronger.<sup>2</sup>

In Germany, the STEICO Group's largest sales market, the construction economy is continuing to enjoy very positive growth. Current figures from DESTATIS, the German federal statistics office, are available for the primary construction industry through to April 2017. From January to April revenues thus increased by 4.7% compared to the same period of the previous year.<sup>3</sup>

DESTATIS also has figures available for building permits through to April 2017. This figure is 9% lower than in the same quarter of the previous year. However, building permits in the same period of 2016 recorded extraordinarily high growth of 31.2%, even given the current boom, which means that we can continue to expect strong growth in the German construction sector.<sup>4</sup>

Wooden construction in particular continues to be a driving force for home building. Building permits for single and two-family homes fell on the whole in the first quarter of 2017, however permits for prefabricated houses made of wood grew by 1.1%. This led to an increase in

<sup>1</sup> Source: Eurostat, 8 June 2017

<sup>2</sup> Source: Eurostat, 19 June 2017

<sup>3</sup> Source: DESTATIS, 10 July 2017

<sup>4</sup> Source: DESTATIS, 17 June 2016



# Group management report for STEICO SE as of 30 June 2017

the market share for the prefabricated homes industry to 19.5% in the first quarter of 2017. 2016 as a whole was already a successful year, with prefabricated houses accounting for 17.8%.<sup>5</sup>

## 2. COMPETITION

Management believes that the key competitors for wood fibre insulation materials are Soprema with its Pavatex brand (France), Gutex (Germany), Homatherm (a Homanit group company), best wood Schneider (Germany) and Hunton (Norway).

In terms of fibreboards, in STEICO's opinion the most important competitors are Fibris (Poland), Tarnaise (France), Homanit (Poland), Woodway Group (Russia), Huntonit (Norway) and Finnish Fibreboard (Finland).

The company's management believes that the STEICO Group's key competitors for I-joists are Metsä (Finland), Masonite (Sweden), James Jones (United Kingdom), Staircraft/Travis Perkins (United Kingdom) and also Boise Cascade & CHH (New Zealand).

The group's most important competitors for laminated veneer lumber are Metsä (Finland), Stora Enso (Finland), Louisiana Pacific (USA), Ugra (Russia) as well as Taleon Terra (Russia), however STEICO also sources laminated veneer lumber as merchandise from this company.

method). In so doing, STEICO is reacting to the constant increase in demand in the past few years, and the high level of capacity uptake for the existing production facility. Capital expenditure of around € 7.5 million is scheduled for the new facility, and this will be financed via the existing syndicated loan. Work to construct the new production facility is on schedule with regard to both its timing and costs. It is scheduled to go live punctually at the start of 2018.

Stable wood fibre insulation boards made using the dry method are increasingly in demand for use in building shells, for example for facade insulation where they are used as an alternative to conventional hard foam boards. Total capacity in this segment will grow to around 700,000 cbm with a maximum annual capacity of around 300,000 cbm for the new line.

### Second laminated veneer lumber line

Construction work to double production capacity for laminated veneer lumber is continuing to progress rapidly. All of the activities are on schedule with regard to both timing and costs. As a result, the board of directors believes that the facility will be taken into operations punctually in mid-2018.

The first production line with annual capacity of around 80,000 cbm went live at the start of 2016 after capital expenditure of around € 60 million. As a result of forward-looking planning when building the first line, capital expenditure for the second line has been reduced to around € 45 million, which will be financed via the existing syndicated loan. Total annual capacity will be around 160,000 cbm when the line is completed.

The company expects profitability to increase further as a result of the more cost-effective follow-on investments. At the same time, operating two lines will make it possible to run longer production runs with lower re-fit times, which is also expected to boost profitability.

### Acquisition of a production line to produce flexible wood-fibre insulation mats

At the end of April STEICO acquired a production line to produce flexible wood-fibre insulation mats from another company's insolvency assets. This line was built in 2013 and was only used for two years. It was bought for less than € 1 million, which is a very low price for a line of this type.

The production line will be disassembled, the various components such as defibrator, mat formation, the dryer

## II. COURSE OF BUSINESS

### 1. KEY EVENTS IN THE FIRST SIX MONTHS OF 2017 / INFORMATION ON CAPITAL EXPENDITURE PROJECTS

#### Increase in board of directors

In its meeting of the Board of Directors on 9 March 2017, the company resolved to create a new position on the board for HR and Organisational Development and Business Process Management. Mr. Holger Jödecke was appointed as managing director in this new position with immediate effect.

#### Construction of an additional production facility for wood fiber insulation materials - dry method

In its meeting of the Board of Directors on 9 March 2017, the company also resolved to build an additional production facility for wood fiber insulation materials (dry

<sup>5</sup> Source: Bundesverband Deutscher Fertigbau e.V., 19 May 2017



# Group management report for STEICO SE as of 30 June 2017

and finishing line will be used at various locations in the STEICO Group to set up additional capacity and to increase production efficiency.

## 2. COURSE OF BUSINESS<sup>6</sup>

As a result of reclassifications due to the application of BilRUG there may be minor differences compared to the previous year's figures.

The STEICO Group's revenues grew once again in the first half of 2017 compared to the same period of the previous year. Revenues in the first six months of the year grew compared to the same period of the previous year, up by 13.2% from € 101.2 million to € 114.6 million, which is due to both the high demand for environmentally friendly insulation materials as well as increases for laminated veneer lumber.

Stocks of finished goods and work in progress increased during the previous year, however it was possible to reduce these stocks by € 1.5 million in the first half of 2017 due to the high demand. At the same time, the downturn in inventories shows the importance of target-oriented increases to capacity.

In terms of earnings, gross earnings amounted to € 49.8 million (previous year: € 46.3 million).

EBITDA totaled € 18.4 million (previous year: € 17.4 million). The EBITDA margin in the first six months of 2016 amounted to 16.5% and this fell to 15.7% by the end of 2016, in particular as a result of charges due to the devaluation of pounds sterling. During the first half of 2017 STEICO returned to its usual profitability due to factors including increased currency hedging for pounds sterling and the price increases implemented on the UK market. As a result, the EBITDA margin ties up to the same level as in the same period of the previous year at 16.3%.

EBIT in the first six months amounted to € 10.6 million (previous year: € 9.7 million) The EBIT margin also fell from 9.2% after the first six months of 2016 to 8.7% at the end of the year. At the end of the first six months of 2017 this increased to 9.3%, and is thus slightly higher than the figure from the same period of the previous year.

In the first half of 2017 the STEICO Group recorded around 67.0% of its revenues outside its home market in Germany (previous year: 66.9%).

## Q2 2017 – viewed in isolation

Revenues of € 60.5 million were recorded in the second quarter (previous year: € 54.3 million) This corresponds to an increase of 11.4%.

Total operating revenues amounted to € 58.3 million (previous year: € 56.6 million)

In terms of earnings, gross earnings amounted to € 26.0 million (previous year: € 24.6 million)

EBITDA in the second quarter improved by 6.5% to € 9.9 million (previous year: € 9.3 million). EBIT lifted by 7.1% compared to the same quarter of the previous year to € 6.0 million (previous year: € 5.6 million). The EBITDA margin amounted to 17.0% (previous year: 16.4%), the EBIT margin was 10.3% (previous year: 9.9%).

The second quarter has been the most successful in the company's history in terms of both revenues and earnings.

<sup>6</sup> All of the change rates have been identified using rounded figures.

# Group management report for STEICO SE as of 30 June 2017

## 3. GROWTH BY MARKET

During the first half of 2017, the STEICO Group recorded substantial revenue growth. In Germany, STEICO continues to benefit from the boom in the construction industry and the trend to environmentally friendly construction materials.

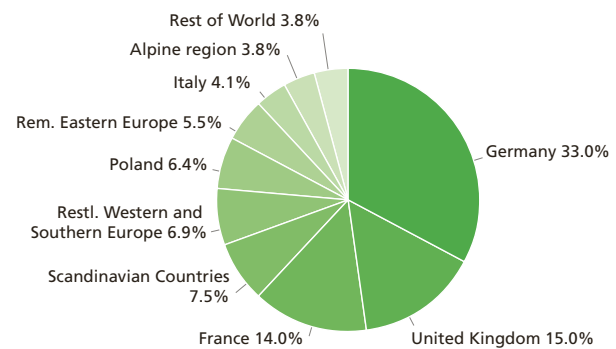
The United Kingdom is the most important sales market for I-joists. The construction industry in the UK is continuing to be very robust after the Brexit decision, with the result that STEICO was able to once again record increases in the quantities of I-joists sold. As STEICO almost exclusively sells its products in the United Kingdom in the local currency, the downturn in the exchange rate for pounds sterling as a consequence of the Brexit vote had a negative impact on revenues and earnings - in particular in the second half of 2016. STEICO has combated this with increased exchange rate hedging and price increases at the start of 2017. As a result, revenues were up again substantially by 9.6% million in the first six months. In addition to I-joists, timber wholesaling in the United Kingdom also enjoyed positive growth.

The construction industry in France is recovering, and as a result of in-depth market processing STEICO has been able to increase its market share and significantly increase revenues.

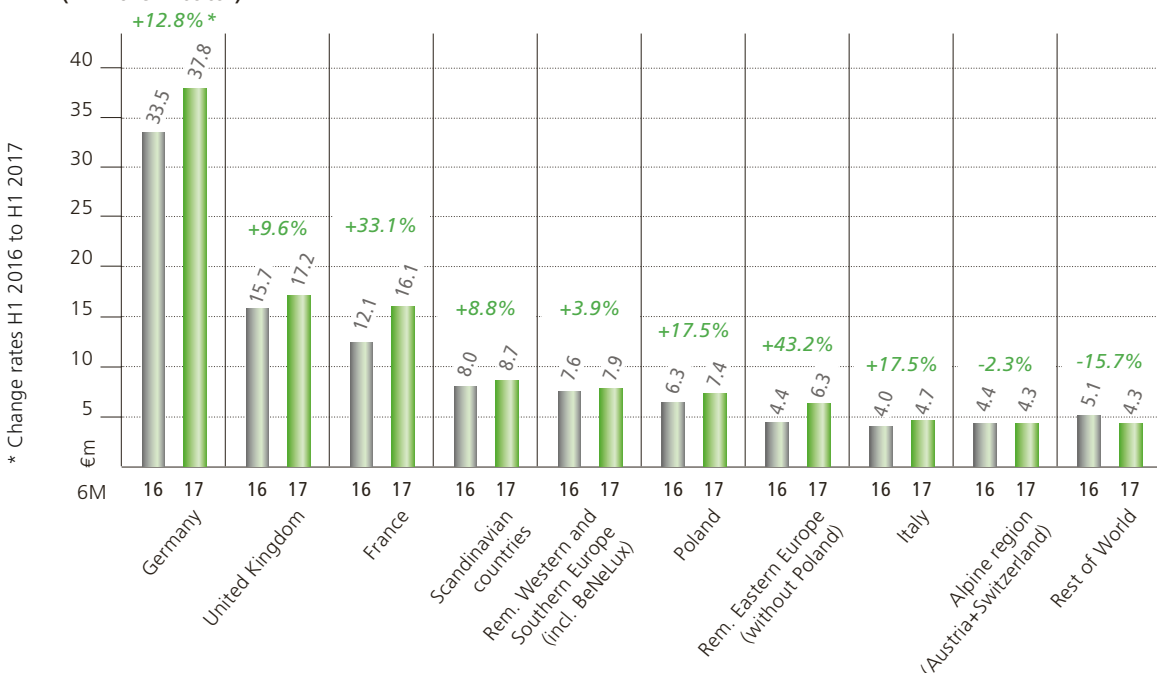
Revenues in the Rest of World segment fell, in particular the North American market was very reserved in the first half of the year.

It is pleasing to see that the negative developments in Italy seem to have bottomed out. Revenues in the fourth largest European economy had fallen constantly in the past few years, however in the first six months they increased by 17.5% compared to the same period of the previous year.

### H1 2017 Revenues by market



### H1 2017: Revenues by market in € millions (114.6 €m total)



As a result of reclassifications in the country segments there may be slight changes in the previous year's figures.

# Group management report for STEICO SE as of 30 June 2017

## 4. GROWTH IN THE PRODUCT SEGMENTS

In terms of wood-fibre insulation materials STEICO is benefiting from increases to its market share and the trend towards environmentally friendly construction products in Europe. Demand has grown positively throughout the industry, and STEICO has now decided to combat the increasing costs, which have been rising for several years for aggregates, with a moderate price increase for stable insulation boards produced using the dry method. This price increase came into effect on 3 July and should have a positive impact on growth in the second half of the year.

I-joists have enjoyed positive growth, and in this sector we can observe increasing market penetration including on continental European markets outside the United Kingdom. In addition, I-joists also continue to benefit from increasing export activities.

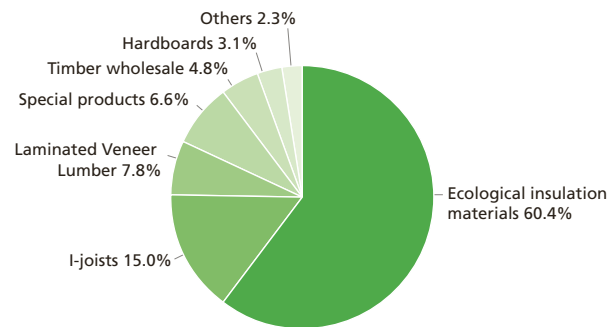
The production of laminated veneer lumber increased once again compared to the first six months of 2016, as it was not possible to operate the line at full capacity last year due to the go-live phase. STEICO continues to buy in part of its laminated veneer lumber in order to satisfy the high demand.

Revenues from special products fell by 15.6% in the first six months of 2017. This downturn is due, in particular, the current reserved demand on the North American market.

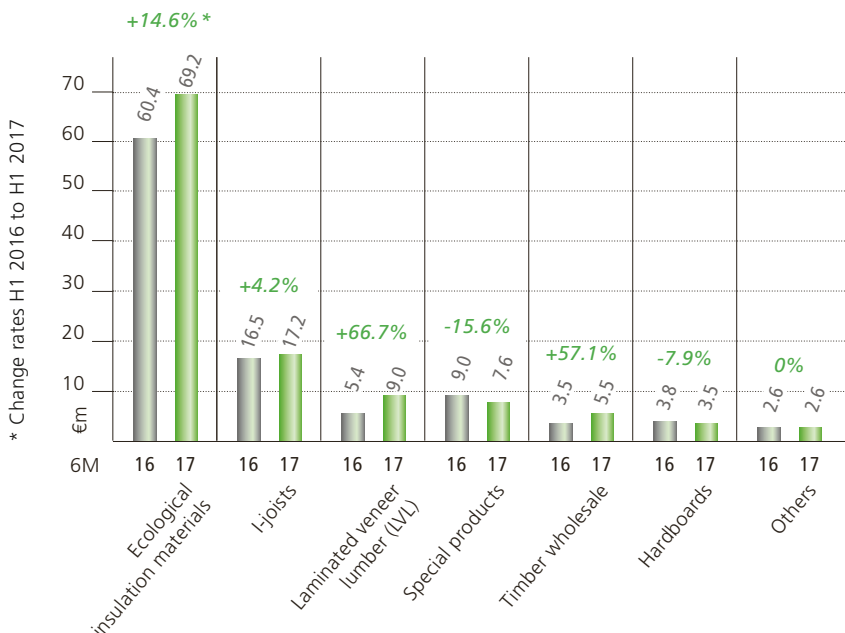
Revenues with hardboards fell slightly, as hardboards are increasingly being used as components in I-joists.

Revenues from timber wholesale increased significantly in the first six months, which was due, in particular, to the revitalisation in the United Kingdom.

H1 2017 Revenues by segment



H1 2017: Revenues by segment in € millions (114.6 €m total)



As a result of reclassifications in the product segments there may be slight changes in the previous year's figures.

# Group management report for STEICO SE as of 30 June 2017

## III. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

As a result of reclassifications due to the application of BilRUG there may be minor differences compared to the previous year's figures.

### 1. RESULTS OF OPERATIONS

The STEICO Group's revenues grew once again in the first half of 2017 compared to the same period of the previous year. Revenues in the first six months of the year grew compared to the same period of the previous year, up by 13.2% from € 101.2 million to € 114.6 million, which is due to both the high demand for environmentally friendly insulation materials as well as increases for laminated veneer lumber.

Stocks of finished goods and work in progress decreased by € 1.5 million in the first half of 2017. Total operating revenues amounted to € 113.2 million (previous year: € 105.8 million)

The cost of materials ratio is exactly on a par with the previous year's level at 58.5%. The personnel expenses ratio in the first six months was 16.9% (previous year: 15.6%) and is thus slightly higher than the previous year's level. This is due to factors including the forward looking increases to staff levels for production and sales in view of the second line for laminated veneer lumber.

The ratio for other operating expenses is 10.8% (previous year: 11.6%). The fact that this item has not increased as part of the group's growth is due, in particular, to the lower expenses from currency exchange rate differences.

The financial result totaled € -0.6 million (Previous year €-0.5 million). The increase is due to interest payments as a result of an increased draw-down of funds as part of the syndicate loan that has been taken out to finance the various investment projects.

Net income for the period grew by 6.7% to € 6.4 million in the first six months (previous year: € 6.0 million).

### 2. FINANCIAL POSITION AND NET ASSETS

Total assets increased substantially as of 30 June 2017 to around € 287.8 million compared to 31 December 2016 (€ 239.8 million).

In line with the ongoing projects to increase capacity, property, plant and equipment has increased to € 183.8 million (31 December 2016: € 161.4 million).

The increase in receivables and other assets to € 45.0 million is due to the higher volume of orders in the summer months (31 December 2016: € 27.3 million).

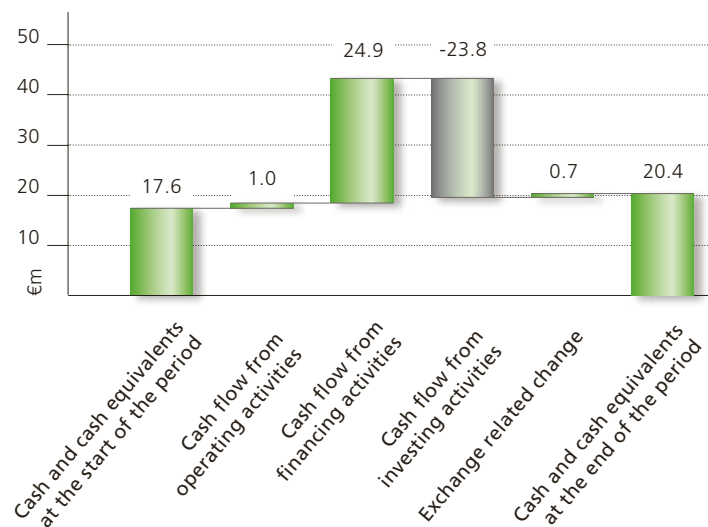
On 30 June 2017 the item cash in hand and bank balances amounted to € 20.4 million (31 December 2016: € 17.6 million).

The equity and liabilities side, is characterised by an increase in liabilities to banks to € 112.2 million (31 December 2016: € 84.1 million). This is due to ongoing investment projects to increase capacity which are financed via the existing syndicated loan agreement.

On 30 June 2017 equity amounted to € 125.0 million (31 December 2016: € 114.1 million). This corresponds to an equity ratio of around 43.2% (31 December 2016: 47.6%).

### 3. LIQUIDITY

#### H1 2017: Cash flow statement



#### Cash flow from operating activities

During the past six months, the STEICO Group recorded a cash flow from operating activities of € 1.0 million (2016 as a whole: € 32.9 million). This decline is due to several factors: The level of finished and semi-finished goods fell, however, the supply of raw materials, auxiliary materials and operating materials was increasing significantly. In addition, trade receivables rose sharply as a result of seasonal and growth factors. Furthermore, claims on Polish VAT have increased significantly as a result of an extension of the reimbursement periods. Finally, the value

# Group management report for STEICO SE as of 30 June 2017

of the accrued income is higher than at the end of the year due to annual advance payments for property tax in Poland, property insurance and social funds. The majority of these effects are balanced out in the course of the year.

## Cash flow from investing activities

During the first six months of 2017 the cash flow from investing activities totaled € -23.8 million (2016 as a whole: € -26.8 million) and is mostly due to payments made for investments in property, plant and equipment. The largest block of capital expenditure is constructing the second facility for laminated veneer lumber.

## Cash flow from financing activities

The cash flow from financing activities is negative at € 24.9 million (2016 as a whole: € 1.7 million). This item is characterised by payments made from funds from the syndicated loan to finance the investment projects.

As of 30 June 2017 the STEICO Group's cash and cash equivalents totaled € 20.4 million (start of period: € 17.6 million), which are deposited in current accounts. The group pursues a risk-minimising investment approach which ensures that liquidity is guaranteed until it is used for further investments.

## IV. NON-FINANCIAL PERFORMANCE INDICATORS

### Environmental protection

The STEICO Group's production and sales companies have an extensive range of environmentally friendly products and they attach great importance to having a low environmental impact and saving natural resources. The wood from which STEICO's products are made originates from sustainably managed forests, which are mostly certified according to the well-known organisations FSC® (Forest Stewardship Council) or PEFC® (Programme for the Endorsement of Forest Certification Schemes).

The IBR® seal (Institut für Baubiologie Rosenheim) means that STEICO's insulation materials have a recognised seal of quality for environmentally friendly, safe and functional construction products. In addition, since February 2016 STEICO SE holds an environmental product declaration (EPD) for wood fibre insulation materials which offers additional proof of its dedication to sustainability.

Products from STEICO's range are tested regularly by the

well-known consumer magazine ÖKO-TEST and have always received the grade of "very good" in the past.

Protecting the environment is one of the key basic pillars of STEICO's corporate philosophy. The STEICO Group uses its activities and awards to show that growth and sustainability can go hand in hand and thus reinforces its position as one of the leading companies for environmentally friendly construction products.

### Staff

As of 30 June 2017 the STEICO Group had 1,479 employees (previous year: 1,265). The STEICO Group's employees play a key role in the group's long-term success. STEICO companies aim to acquire highly qualified staff and keep them in the group. This is based on an open corporate culture, which is based on flat hierarchies, respect and a willingness to perform. Training activities are actively promoted to reinforce employee loyalty.

## REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No particular events occurred between 30 June 2017 and the date this report was published.

---

## V. FORECAST

---

The forecast for the second half of the year is governed by the following factors:

The market for wood-fibre insulation materials is continuing to enjoy dynamic growth and, in the opinion of the company's management, it will record higher growth rates than the overall market for (traditional) insulation materials. In addition, management continues to believe that, after the consolidation in the past few years, there is a high capacity utilization in the entire industry, with the result that price pressure is not expected to heighten further over the medium term.

I-joists are increasingly gaining market shares on Continental European markets. The United Kingdom continues to be the most important sales market. Today it is not possible to reliably forecast the impact that the Brexit negotiations will have on the UK construction sector. At present the UK construction sector is very robust.

The company's management believes that growth for laminated veneer lumber will continue. The rapid progress made in constructing the second production line is of particular importance in this regard. If initial components of the new line can go live in the second half of the year (for example the larger unit for veneer drying), this could also have a positive impact on the performance of the existing line.

For the year as a whole, management is forecasting revenues and EBIT to grow in the low double digit percentage range.

In future, in particular management of the continuing growth could play a key role for success. As a result, management is constantly reviewing various investment projects to expand capacity and suitable options for financing - from debt financing through to obtaining additional equity.

# Consolidated income statement 1 January - 30 June 2017

	H1 2017	H1 2016
	€	€
1. Revenues	114,629,151.14	101,245,141.48
2. Decrease (previous year: increase) in finished goods and work in progress	-1,478,185.53	4,577,247.29
3. Other own work capitalized	91,889.00	19,445.37
	<b>113,242,854.61</b>	<b>105,841,834.14</b>
4. Other operating income	2,859,217.12	2,346,572.55
	<b>116,102,071.73</b>	<b>108,188,406.69</b>
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and for purchased goods	-65,588,547.79	-61,030,415.35
b) Cost of purchased services	-685,817.76	-889,787.91
<b>6. Gross profits</b>	<b>49,827,706.18</b>	<b>46,268,203.43</b>
7. Personnel expenses		
a) Wages and salaries	-15,616,495.50	-13,352,302.61
b) Social security and expenses	-3,565,018.34	-3,158,951.41
8. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-7,885,746.07	-7,744,483.46
9. Other operating expenses	-12,197,386.36	-12,325,117.07
<b>10. EBIT</b>	<b>10,563,059.91</b>	<b>9,687,348.88</b>
11. Other interest and similar income	273,682.21	274,240.68
12. Interest and similar expenses	-921,248.11	-788,018.88
<b>13. Financial result</b>	<b>-647,565.90</b>	<b>-513,778.20</b>
<b>14. Earnings before taxes</b>	<b>9,915,494.01</b>	<b>9,173,570.68</b>
15. Income taxes	-2,688,503.09	-2,428,706.62
<b>16. Earnings after taxes</b>	<b>7,226,990.92</b>	<b>6,744,864.06</b>
17. Other taxes	-836,700.57	-771,744.73
<b>18. Consolidated net income for the period</b>	<b>6,390,290.35</b>	<b>5,973,119.33</b>
19. Profit carried forward from previous year	23,210,009.32	13,954,213.73
<b>20. Consolidated profits</b>	<b>29,600,299.67</b>	<b>19,927,333.06</b>

Last year's figures have slightly changed as a result of 2016 year-end-audit.



# STEICO Consolidated Balance Sheet as of 30 June 2017

## ASSETS

	30 June 2017	31 Dec. 2016
	€	€
<b>A. NON-CURRENT ASSETS</b>		
<b>I. Intangible assets</b>		
1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets.	1,362,273.11	1,496,259.89
	<b>1,362,273.11</b>	<b>1,496,259.89</b>
<b>II. Property, plant and equipment</b>		
1. Land, land rights and buildings including buildings on third-party land	48,165,356.17	47,090,435.11
2. Technical plant and machinery	79,269,730.18	81,024,658.37
3. Other assets, operating and office equipment	2,369,459.45	2,291,734.34
4. Advances made and assets under construction	54,016,037.37	30,943,656.23
	<b>183,820,583.17</b>	<b>161,350,484.05</b>
<b>III. Financial assets</b>		
1. Interests in affiliated companies	2,113.16	2,024.81
2. Loans to affiliated companies	8,518.90	8,162.71
3. Other loans	211,700.00	211,700.00
	<b>222,332.06</b>	<b>221,887.52</b>
	<b>185,405,188.34</b>	<b>163,068,631.46</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials, consumables and supplies	19,699,298.78	15,369,266.71
2. Work in progress	1,389,517.90	1,131,737.67
3. Finished goods and merchandise	11,142,539.39	13,126,092.06
4. Advance payments made	3,938.45	68,825.92
	<b>32,235,294.52</b>	<b>29,695,922.36</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	25,851,359.72	17,659,065.94
2. Receivables from affiliated companies	6,208.77	4,208.22
3. Other assets	19,105,425.14	9,601,009.83
	<b>44,962,993.63</b>	<b>27,264,283.99</b>
<b>III. Securities</b>		
Other securities	188,468.43	53,871.01
<b>IV. Cash in hand and bank balances</b>		
	<b>20,429,723.99</b>	<b>17,610,081.41</b>
	<b>97,816,480.57</b>	<b>74,624,158.77</b>
<b>C. PREPAID INCOME</b>	<b>3,622,713.48</b>	<b>933,324.85</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>971,747.50</b>	<b>1,131,260.18</b>
	<b>287,816,129.89</b>	<b>239,757,375.26</b>

# STEICO Consolidated Balance Sheet as of 30 June 2017

## EQUITY AND LIABILITIES

	30 June 2017	31 Dec. 2016
<b>A. EQUITY</b>		
I. Subscribed capital	12,803,150.00	12,803,150.00
II. Additional paid-in capital	81,226,096.14	81,226,096.14
III. Retained earnings Other retained earnings	7,050,000.00	7,050,000.00
IV. Difference in equity from currency translation	-5,721,045.51	-12,489,603.38
V. Consolidated profits	29,600,299.67	25,514,576.32
	<b>124,958,500.30</b>	<b>114,104,219.08</b>
<b>B. PROVISIONS</b>		
1. Provisions for pensions and similar obligations	2,275,759.99	2,210,712.60
2. Provisions for taxes	1,994,170.18	1,691,430.37
3. Other provisions	8,850,803.66	8,289,767.20
	<b>13,120,733.83</b>	<b>12,191,910.17</b>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	112,212,456.00	84,148,761.00
2. Advance payments received on account of orders	60,183.72	207,065.70
3. Trade payables	17,947,505.61	18,206,350.03
4. Other liabilities	17,817,923.93	9,166,720.75
	<b>148,038,069.26</b>	<b>111,728,897.48</b>
<b>D. DEFERRED INCOME</b>	<b>130,813.91</b>	<b>185,691.17</b>
<b>E. DEFERRED TAX LIABILITIES</b>	<b>1,568,012.59</b>	<b>1,546,657.36</b>
	<b>287,816,129.89</b>	<b>239,757,375.26</b>

# STEICO Consolidated cash flow statement for H1 2017

	1 Jan. - 30 June 2017	1 Jan. - 33 Dec. 2017
	€	€
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
1. Earnings for the period (consolidated net income/loss)	6,390,290.35	11,560,362.59
2. +/- Amortization/depreciation of non-current assets	7,885,746.07	15,455,370.98
3. +/- Increase/decrease in provisions	578,342.85	606,183.68
4. +/- Other non-cash expense/income	-91,889.00	-488,483.44
5. -/+ Increase/decrease in inventories, trade receivables and other assets that are not allocated to investing or financing activities	-23,062,067.85	-5,298,111.61
6. +/- Increase/decrease in trade payables and other liabilities that are not allocated to investing or financing activities	8,190,599.52	7,924,174.44
7. -/+ Gains/losses from the disposal of non-current assets	9,963.28	303,379.90
8. +/- Interest income/expense	647,565.90	1,066,254.56
9. +/- Income tax expense/income	2,688,503.09	3,604,363.71
10. -/+ Income tax payments	-2,204,895.37	-1,814,365.53
<b>11. = Cash flow from operating activities</b>	<b>1,032,158.84</b>	<b>32,919,129.28</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
1. - Payments made for investments in intangible non-current assets	-491,336.10	-2,106,574.75
2. + Proceeds received from disposals of items of property, plant and equipment	216,706.31	2,728,093.37
3. - Payments made for investments in property, plant and equipment	-23,829,087.26	-28,003,994.81
4. + Proceeds received from disposals of financial assets	0.00	39,633.87
5. + Interest received	273,682.21	533,774.35
<b>6. = Cash flow from investing activities</b>	<b>-23,830,034.84</b>	<b>-26,809,067.97</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
1. + Proceeds received from issuing bonds and taking out (financial) loans	28,063,695.00	5,127,776.92
2. - Interest paid	-873,507.11	-1,511,332.91
3. - Dividends paid to shareholders of the parent company	-2,304,567.00	-1,920,472.50
<b>4. = Cash flow from financing activities</b>	<b>24,885,620.89</b>	<b>1,695,971.51</b>
<b>IV. CASH AND CASH EQUIVALENTS</b>		
1. Net change in cash and cash equivalents	2,087,744.89	7,806,032.82
2. +/- Exchange-rate related change in cash and cash equivalents	731,897.69	-563,380.93
3. + Cash and cash equivalents - start of period	17,610,081.41	10,367,429.52
<b>4. = Cash and cash equivalents - end of period</b>	<b>20,429,723.99</b>	<b>17,610,081.41</b>

# Notes to the consolidated financial statements as of 30 June 2017

## I. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. LEGAL FOUNDATIONS

The regulations set out in Sections 294 ff. of the Handelsgesetzbuch (HGB - German Commercial Code) apply for the consolidated financial statements. The consolidated financial statements are prepared based on legal requirements.

### 2. CONSOLIDATED ACCOUNTING AND VALUATION METHODS

The Group applies the principles of the German Commercial Code (Handelsgesetzbuch, HGB) for its accounting and valuation methods. According to Section 308 (1) of the HGB, the assets and liabilities included on the consolidated balance sheet are subject to a uniform valuation in line with the valuation methods which apply for the parent company's annual financial statements.

The consolidated balance sheet and consolidated income statement are classified according to Sections 266, 275 (2) of the HGB in connection with Section 298 of the HGB.

The following individual accounting and valuation methods were applied:

Internally generated assets are capitalised at cost and subject to scheduled depreciation over their expected useful lives.

Internally generated intangible assets are capitalised at cost and subject to scheduled amortisation over their expected useful lives. Patents, concessions, licenses and software are written down over 2-5 years, rights of usufruct are written down over 20 years.

Property, plant and equipment is valued at cost according to Section 253 of the HGB in connection with Section 255 of the HGB, less scheduled depreciation in line with the standard useful lives in the industry.

Buildings are depreciated using the straight-line method, with both the straight-line and declining balance methods being used for machines. Office equipment and IT hardware is written down using both the straight-line and declining balance methods.

Low-value items of property, plant and equipment have been written off immediately through profit and loss since 1 January 2011.

As a rule, financial assets are carried at cost or, in the

event of permanent impairment, at their lower fair value on the balance sheet date.

If the reasons for maintaining a lower carrying amount no longer apply, these are written up according to Section 253 (5) sentence 1 of the HGB.

Inventories are measured at cost. Items with impaired marketability are written down to their lower fair value.

Trade receivables and other assets are carried at face value.

In order to cover the risk of default, individual and lump-sum write-downs are formed for receivables to the extent required. When forming individual write-downs, the company takes into account the fact that some receivables are covered by commercial credit insurance.

Securities carried under current assets are carried at their face values.

Cash in hand and bank balances are carried at face value.

Expenses prior to the balance sheet date that relate to expenses for a limited period after the balance sheet date are carried as prepaid expenses. The accounting option offered in Section 250 (3) Sentence 1 of the HGB to form a discount has been used. The item is reversed using the straight-line method in line with time.

Deferred tax assets result from temporary differences between tax losses carried forwards and consolidation. The tax relief resulting at an individual company level has been capitalised according to the option offered in Section 274 in connection with Section 306 of the HGB.

Provisions for pensions are calculated on the balance sheet date in line with Section 253 (2) Sentences 2 and 3 of the HGB using the projected unit credit method based on an average market interest rate and an assumed residual period of 15 years. This is announced by Deutsche Bundesbank in line with the corresponding legal provisions. On the balance sheet date this liability was netted with the re-insurance in line with Section 246 (2) Sentence 2 of the HGB. The netted assets are valued at fair value according to Section 253 (1) Sentence 4 of the HGB.

Provisions for taxes and all other provisions are formed for all recognizable risks and uncertain liabilities in the amount required for fulfillment according to prudent commercial judgement. The amount required for fulfillment is calculated taking future price and cost increases into account.

# Notes to the consolidated financial statements as of 30 June 2017

Provisions with a remaining term of more than one year are discounted over their remaining term in line with the average market interest rate for the past seven fiscal years (Section 253 (2) Sentence 1 of the HGB).

Liabilities are included at their repayment amounts.

Deferred tax liabilities result from temporary differences to the carrying amounts in the tax base for the companies included.

### 3. CURRENCY TRANSLATION

Receivables and liabilities denominated in foreign currencies are translated using the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies with a residual period of less than one year are subsequently valued on the balance sheet date using the average spot exchange rate on the balance sheet date.

Foreign statements prepared in foreign currencies for the Group's subsidiaries in Poland and England are translated using the "modified balance sheet date method" set out in Section 308a of the HGB.

- With the exception of equity, items on the balance sheet are translated using the rate on the balance sheet date;
- Items in the income statement are translated using the average exchange rate for the fiscal year;
- Equity is translated using historical exchange rates.

The parent company's functional currency is the group's currency (euros).

Differences in the consolidation of liabilities resulting from exchange rates are taken directly to equity under Currency translation differences.

### The exchange rates for PLN/€ are:

As of 30 June 2017:	4.22590
Average exchange rate H1 2017:	4.24745

### The exchange rates for GBP/€ are:

As of 30 June 2017:	0.87933
Average exchange rate H1 2017:	0.86122

### 4. BOARD OF DIRECTORS

STEICO's Board of Directors comprises 4 members.

Mr. Udo Schramek, Munich, Chairman, Managing Director and Chairman of the Board of Directors

Mr. Uto Baader, Founder of Baader Bank AG and Deputy Chairman of the Board of Directors

Ms Katarzyna Schramek, Munich, attorney

Dr. Jürgen Klass, Munich, attorney

### 5. DIRECTORS

Mr. Udo Schramek, Munich, Chairman, Managing Director of STEICO SE; managing director for Auditing, Marketing, Legal & HR, Research & Development, Technology, Quality Assurance, IT and Purchasing

Mr. Holger Jödecke, Managing Director for Human Resources- and Organisational Development and Business Process Management

Mr. Uwe Klaus Lange, Berga, Managing Director for Investments and Equipment Technology

Dr. David Meyer, Munich, Managing Director for Finance & Controlling

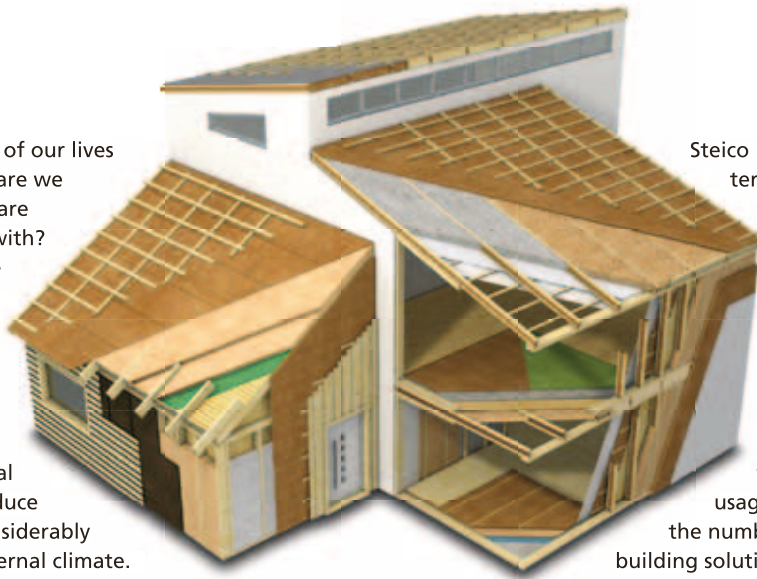
Mr. Milorad Rusmir, Kirchheim, Managing Director for Timber Trade

Mr. Heiko Seibert, Koblenz, Managing Director for Sales

Mr. Steffen Zimny, Lubasz, Managing Director for Production



We spend approx. 80 % of our lives in enclosed rooms. But are we always aware what we are surrounding ourselves with? STEICO has set itself the target of developing building products which consider the needs of both man and nature. Our products are therefore produced using sustainable natural materials. They help reduce energy use and add considerably to a natural healthy internal climate.



Steico insulation and construction materials, carry a number of distinguished 'seals of approval' which is a sign of high quality, healthy and functional building products. The raw materials used in Steico products are certified by FSC® (Forest Stewardship Council®) and PEFC® (Programme for the Endorsement of Forest Certification®), ensuring a traceable and fully sustainable usage of the raw materials. STEICO, the number 1 choice for your sustainable building solutions.

## Natural Insulation and Construction Systems for New Builds and Renovations – Roof, Ceiling, Wall and Floor

	Renewable raw materials without harmful additives		Excellent heat insulation in winter		Excellent summer heat protection		Energy Saving and increased property worth
	Weather tight and breathable		Excellent Fire Protection		Excellent sound protection		Environmentally friendly and recyclable
	Light and easy to handle		Insulation for healthy living		Strong quality control		Compatible insulation and structural building systems



STEICO SE • Otto-Lilienthal-Ring 30 • 85622 Feldkirchen (GER)  
 Tel.: +49-(0)89-99 15 51-0 • Fax: +49-(0)89-99 15 51-26  
 Internet: www.steico.com • E-mail: info@steico.com