

# STEICO SE

## Half Year Report 2018

The green shares

# 6MM 2018

Record-breaking profitability despite slower pace of sales

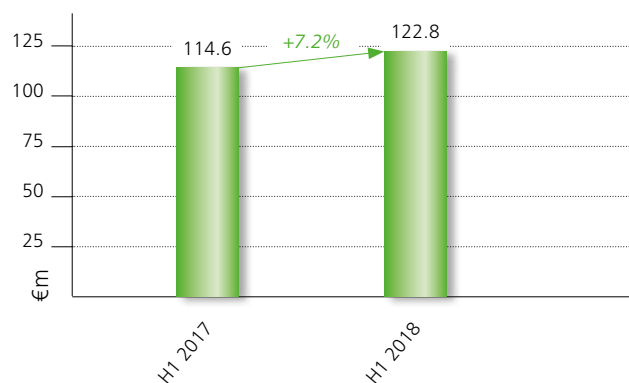


Natural building products for healthier living

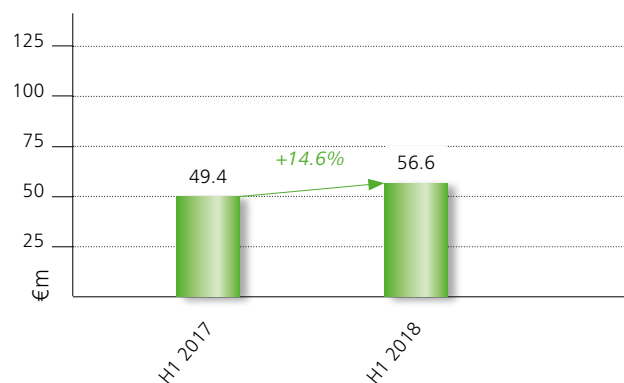
# Overview

## Record-breaking profitability despite slower pace of sales

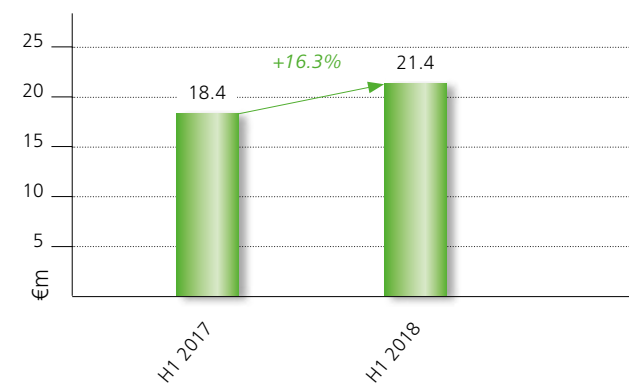
Revenue growth in € millions



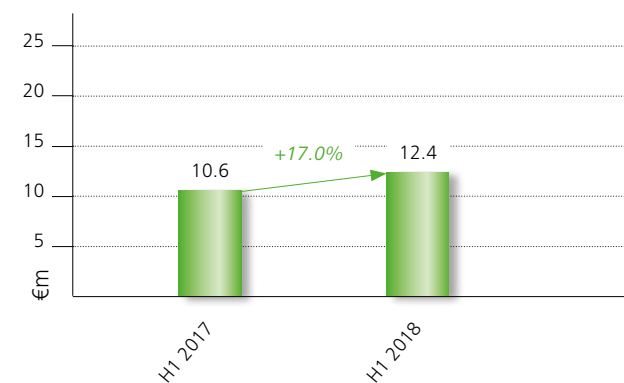
Gross earnings growth in € millions



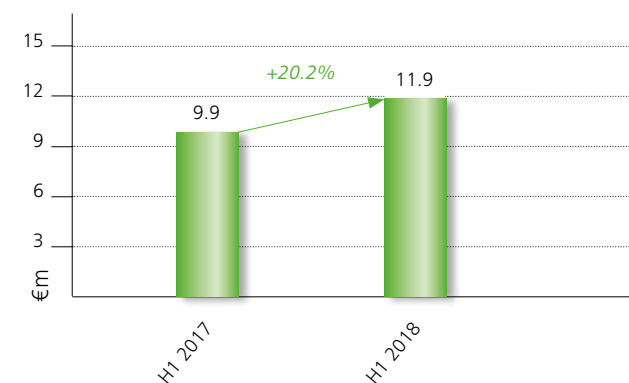
EBITDA growth in € millions



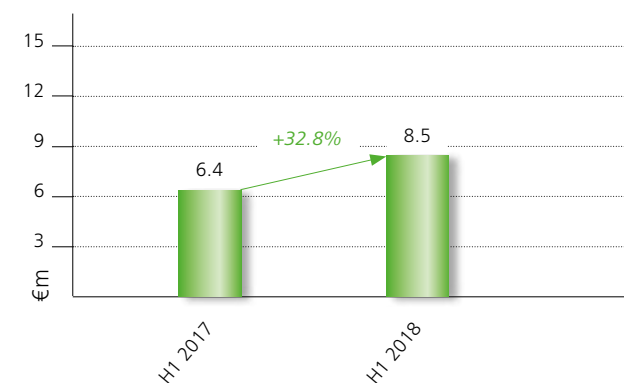
EBIT growth in € millions



EBT growth in € millions



Growth in net income for the period in € millions



### ADDITIONAL KPIS

	6M 2018	FY 2017	6M 2017
1. Total operating revenue in € millions	€ 119.8 million	€ 232.3 million	€ 113.2 million
2. EBITDA margin as a percentage of total operating revenue	17.9%	16.3%	16.3%
3. EBIT margin as a percentage of total operating revenue	10.4%	9.5%	9.3%
4. Equity ratio (as of June 30 or December 31)	51.3%	53.9%	43.4%

Percentage increases and margins calculated based on rounded figures. As a result of the reclassifications there are differences compared to the previous year's figures.

The STEICO Group continued its growth in the first six months of 2018 with new record-breaking revenues and earnings.

The pace of sales was slightly slower, up by 7.2% to € 122.8 million. This was due to the poor weather conditions in the first quarter, which resulted in slower construction activity in the UK in particular. In addition the weaker exchange rate for pounds sterling lead to a downturn in the timber wholesale business in the UK. On this market STEICO offers various wooden products to supplement its own I-joists. These are purchased as merchandise in the eurozone.

In terms of its earnings, the STEICO Group once again proved its profitability. EBITDA improved compared to the first six months of the previous year by 16.3% to € 21.4 million. EBIT lifted by 17.0% to € 12.4 million. Net income for the period increased by 32.8% to € 8.5 million.

The EBITDA margin of 17.9% and the EBIT margin of 10.4% mean that the first half of the year also reached new record-breaking figures in terms of profitability.

As a result of the slightly slower pace of sales in the first six months, the company's management is now aiming for revenue growth over the year as a whole in the upper single-digit percentage range. In contrast, in terms of earnings, above average growth is also forecast for the year as a whole.

#### Company profile

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

STEICO 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.

#### Disclaimer

This document is an abbreviated version of the German original document. The translation has been prepared with utmost care. However, only the German original document is binding.

# Growth of STEICO's shares

## A. PRICE GROWTH IN 2018

STEICO's shares started the first six months of the year with a price of € 21.75 on 2 January 2018. In the following months, the share price lifted, however after patchy growth it fell back to its price from the start of the year as of 3 April, the lowest price in the first six months of the year. In contrast, the second quarter was characterised by stable growth. On 14 June the shares reached their highest price in the first half of the year at € 28.30. After profit-taking, STEICO's shares closed at a price of € 25.50 in Xetra trading on 29 June. This corresponds to a share price increase of 17.2% in the first six months of 2018.



## B. INVESTOR RELATIONS

As was the case in previous years, STEICO SE is engaged in open and direct communication with the capital markets in the first half of 2018, and is in close contact with its shareholders. In addition to the transparency policies for the Basic Board and m:access, STEICO SE fulfilled its publication requirements, for example with end-to-end communication in German and English and the regular publication of 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 July 2018 STEICO was rewarded with ISS-oekom's "Prime award" for its corporate responsibility.

## C. CAPITAL MARKET DIARY 2018

11/12 January 2018	STEICO presented the company at the 21st ODDO Forum, held by ODDO BHF in Lyon (France)
5 February 2018	Publication of provisional figures for 2017
6 February 2018	STEICO presented the company at the HSBC SRI Conference (Frankfurt am Main)
21/22 February 2018	STEICO presented the company at the "12th German Conference" held by ODDO BHF
26 April 2018	Publication of the 2017 STEICO annual report
26 April 2018	Publication of STEICO's 2018 Q1 report
15 May 2018	STEICO presented the company to institutional investors in Brussels (roadshow with ODDO BHF)
23 May 2018	STEICO presented the company to institutional investors in Frankfurt/Main (roadshow with Commerzbank)
5 June 2018	STEICO presented the company to institutional investors in Zurich (roadshow with ODDO BHF)
6 June 2018	STEICO presented the company to institutional investors at the ODDO BHF Nextcap Forum (Paris)
21 June 2018	STEICO SE's 2018 Ordinary General Meeting
19 July 2018	Publication of STEICO's 2018 semi-annual report
October 2018	Publication of STEICO's 2018 Q3 report
18 October 2018	STEICO presents the company at Munich Stock Exchange's "Specialist Conference for Technology"

Current dates for the capital markets are published online at [www.steico.com/ir](http://www.steico.com/ir).

# Group management report for STEICO SE as of 30 June 2018

## A. FOUNDATIONS

### I. STEICO SE'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-fiber insulation materials segment.

STEICO 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 ("ETICS"), bracing insulation boards, cavity insulation made of wood-fiber 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 Natural Fiber Boards and operates in the wood 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 for insulation and construction. The core range comprises "natural wood-fiber insulation materials". In the first six months of 2018 the bulk of revenues (60.8%) was recorded with environmentally friendly wood-fiber insulation materials and cavity insulation for building and floor insulation.

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

##### Wood-fiber insulation materials

STEICO insulation materials are made of fresh soft wood. They are used in new buildings and renovation work, protecting against the cold, heat and noise.

Wood-fiber insulation materials are produced by the subsidiaries using various methods - both the wet and the dry method. Both methods break down wood into individual fibers using steam and mechanical treatment. The

fundamental difference between the two methods is that wet fibers are processed (formed to make boards) in the wet method, and in the dry method the fibers are dried before forming the boards. The dry method can be used to produce fibers for cavity insulation, flexible (compressible) mats or stable insulation boards.

##### Air injected insulation

Air injected insulation is made of loose insulation fibers or insulation flakes which are blown into construction cavities at high pressure, where they then compress. The STEICO Group produces and sells air injected insulation material made of wood fibers and also cellulose flakes.

##### Construction products I-joists

I-joists are supporting components which are optically very similar to traditional double-T-joists. They comprise two "belts" (square timber posts made of Laminated Veneer Lumber) which are connected using a fiberboard, also made by STEICO. STEICO's I-joists offer an alternative to standard construction products such as construction lumber or laminated timber in terms of both their price and energy consumption.

##### Construction products Laminated Veneer Lumber (LVL)

is a high-performance wood material and comprises several layers of wood laminate glued together. It is characterised by its particularly high rigidity and ability to bear loads, while simultaneously offering high dimensional stability. Laminated Veneer Lumber is used both in the construction industry and also in industrial applications (for example to produce doors and furniture). It is also a key component for I-joists (belt material). The STEICO Group took its first production line for Laminated Veneer Lumber into operations in Czarna Woda in 2016. As a result of the high demand, the construction of a second production line for Laminated Veneer Lumber was started the same year. The second line went live in the fourth quarter of 2017 (for further information see B.II.3.).

##### Timber wholesale

The STEICO Group operates in timber product wholesale in Germany. These products stem from the company's former orientation and these operations are being continued with a lower number of employees. The company generates revenues with wood products which are mostly imported from south-eastern European countries and Poland. Clients are the timber wholesale trade and furniture industry in Germany. The range of merchandise spans sawn timber

through to semi-finished products for furniture making (e.g. products cut to customer specifications).

STEICO UK Ltd. runs wholesale operations in the United Kingdom with wood and wooden composite boards to supplement its sales of I-joists. It has become standard practice on the UK market for construction companies to offer end-to-end ceiling systems - including planning, the supporting structure (I-joists) and wooden composite boards to construct the floor - all from a single source.

## Special products

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The special products segment bundles all of the products that the group produces itself which are not directly allocable to the construction sector. These include, for example, fiberboards for pinboards or door fills, as well as other products for industrial applications.

## Natural fiber boards (hardboards)

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The production of natural fiber boards is similar to the production of wood-fiber insulation materials made using the wet method. The difference is that wet fibers are pressed to form stable boards using particularly high pressure. Natural fiber boards are used in the furniture industry. Natural fiber boards are used in the furniture industry where they are used, for example, to form the backs of cupboards or the bottoms of drawers. In addition, they are used as standard construction boards on many markets, for example for roof boards. Within the STEICO Group, natural fiber boards are a key component in the production of I-joists, where they form the so-called bar. Sales to external customers is no longer of any strategic importance due to the low margins.

## Miscellaneous

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The Miscellaneous segment bundles various peripheral activities, such as ETICS accessories, vapour barriers and other accessories such as tools for processing insulation material.

## Services

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STEICO offers a range of supplementary services, such as its "STEICO Academy" seminars. These seminars train craftsmen, architects, trade representatives and also people building their own home in how to use the STEICO construction system. In addition STEICO has its own department for technical advice for craftsmen, planners and builders. As a rule services are performed free of charge.

## 3. PROCUREMENT

The fresh wood required to produce wood fiber products is mostly procured in Poland from the Polish State Forest.

In France wood is procured on the free wood market. The wood is sourced from sustainably managed forests from the region surrounding the production facilities.

## 4. SALES AND CUSTOMERS

The STEICO Group's direct customers are mostly broken down into the customer groups of wood and construction materials traders, large wood construction companies and pre-fabricated home construction companies as well as DIY stores (in some cases via distributors) as well as industrial customers (e.g. manufacturers of laminated/parquet flooring, furniture manufacturers, construction material manufacturers).

Other key customer groups include:

- Craftsmen and wood construction companies which process the group's products.
- Architects and planners, who take decisions to use STEICO's products when planning buildings.
- Private and institutional builders who use STEICO's products in their buildings.

# Group management report for STEICO SE as of 30 June 2018

## II. CONTROL SYSTEM AND SHAREHOLDER SYSTEM

STEICO SE is responsible for sales management, marketing, investments, product development, finance and financial control in its position as the group's holding company. 61.1% of shares are held by the CEO/managing director Mr. Udo Schramek, and the remaining 38.9% is in free float.

## III. RESEARCH AND DEVELOPMENT

R&D activities in the first half of 2018 focused on optimising product characteristics for wood fiber insulation boards as well as developing new products as part of the product range, in particular:

- Supporting research work in parallel to operating the Group's own production line for Laminated Veneer Lumber and taking the second line into operation.
- Research activities to develop formaldehyde-free binding agents for wood materials and other adhesives
- Further development of cellulose cavity insulation
- Developing and optimising wet method wood fiber insulation materials
- Developing and optimising dry method wood fiber insulation materials
- Research to optimise the fire and mouldering performance for STEICO's insulation materials
- Research to optimise the heat conduction properties for STEICO's insulation materials
- Research to measure heat conduction using wet samples
- Research to reduce VOC emissions from wood fiber insulation materials

Future R&D work will continue to focus on building the integrated construction system.

## B. ECONOMIC REPORT

### I. OVERALL ECONOMIC AND INDUSTRY-SPECIFIC UNDERLYING CONDITIONS

#### 1. ECONOMIC TREND

The economy in Europe is continuing its positive growth. Stable GDP growth in the eurozone is going hand in hand with positive growth forecasts. However, there are risks from growing protectionism, an increasing lack of specialist workers and the uncertain outcome of the Brexit negotiations.

In the first six months of 2018 the European construction sector suffered from the poor winter weather. Structural engineering production increased by 1.9% in the first quarter of 2017 in the EU28 countries, however it fell by 0.5% in the first quarter of 2018. It was only possible to record growth compared to the same month of the previous year in April.<sup>1</sup>

The construction sector in Germany continued to enjoy robust growth at a high level. Planning permission for residential properties was up by 0.7% year-on-year in the period from January to April 2018. Over the same period the number of building permits issued for hostels (including accommodation for refugees) fell strongly (-32.9%). Without taking hostels into account, the number of permits even lifted by 2.8%. Multi-family homes recorded particularly strong growth of 5.0%. In contrast, the number of building permits for semi-detached houses fell by 1.7%, and 0.5% fewer permits were issued for detached houses.<sup>2</sup>

Competition for wood fiber insulation materials continues to be intense. However, prices have stabilised over the past few months. This is probably also due to the high level of capacity uptake for production equipment throughout the industry.

#### 2. COMPETITION

With regard to wood-fiber insulation materials, in the first six months of 2018 the most important competitors were Soprema with its Pavatex brand (France), Gutex (Germany), Homatherm (Germany - after bankruptcy now a brand of HOMANIT Building Materials), Schneider (Germany) and Hunton (Norway).

In terms of fiberboards, in STEICO's view the most important competitors in the first half of 2018 were Fibris (Poland), Homanit (Poland), Woodway Group (Russia), Huntonit (Norway) and Finnish Fiberboard (Finland).

<sup>1</sup> Source: Eurostat, press releases dated 17.05.2017 and 19.06.2018

<sup>2</sup> Source: Destatis; Press release dated 19.06.2018

The company's management believes that in the first six months of 2018 its key competitors for I-joists are Metsä (Finland), Masonite (Sweden), as well as James Jones (United Kingdom).

The most important competitors for Laminated Veneer Lumber in the first half of the year were Metsä (Finland) Stora Enso (Finland), Louisiana Pacific (USA), as well as Taleon Terra (Russia), however STEICO continues to supply this company with Laminated Veneer Lumber as merchandise (to supplement its own production).

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## II. COURSE OF BUSINESS

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### 1. KEY EVENTS IN THE FIRST SIX MONTHS 2018

#### Staff changes in the board of directors

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STEICO SE announced a new Head of Production on 24 April 2018. The former director, Mr. Steffen Zimny, has left the board of directors. Mr. Holger Jödecke, who has been a member of the board since March 2017, has taken over responsibility for Production.

### 2. UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

#### Start of operation for the second production line for Laminated Veneer Lumber (LVL)

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The "80% performance test" was been successfully passed by the second production line for Laminated Veneer Lumber at the plant in Czarna Woda (Poland) on 7 November 2017. The 80% performance test marks the start of regular production. However the line's supplier must still further optimise some of the line's components before it passes the 100% performance test (final acceptance) in total. The board of directors believes that final acceptance of the line will be issued at the end of the third quarter of 2018.

#### New production lines for wood fiber insulation materials to go live

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Both of the new lines for the production of wood fiber insulation materials (stable insulation materials and flexible insulation materials made using the dry method) are set to go live on schedule, which means that regular operation is scheduled for the third quarter of 2018.

#### Compensation for higher energy costs

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The costs of energy (heat, electricity, logistics costs) have increased substantially over the past few months. It is unlikely that these costs will fall again over the short term. The STEICO Group has been primarily investing in using biomass as a source of energy for several years, in order to become more independent of fossil fuel. In spite of this, however, current cost increases have made it unavoidable to react with a moderate increase in the price of STEICO's product range. This price increase will take effect during the course of the third quarter.



# Group management report for STEICO SE as of 30 June 2018

### 3. COURSE OF BUSINESS<sup>3</sup>

During the first six months the STEICO Group’s revenues lifted by 7.2%. Germany, the core market, recorded growth of 6.9%, with growth in France lifting by 18.0%, however sales in the United Kingdom fell by 14.5%. This is due to the harsh winter in the first quarter of the year, which practically brought the UK construction industry to a standstill. This also led to a downturn in the sale of I-joists, and it was not possible to compensate for this in the second quarter.

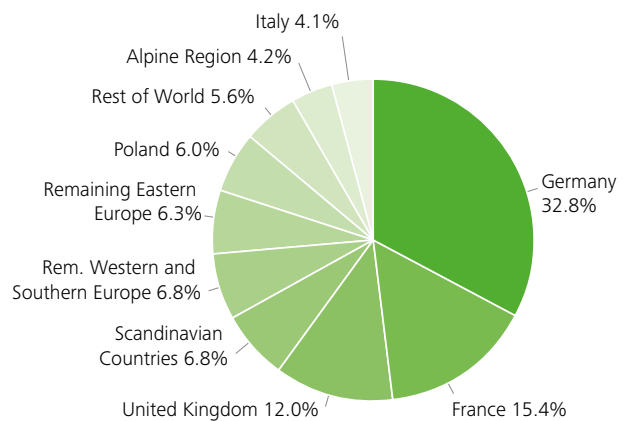
In addition, STEICO also trades in wooden products in the UK. These products, such as chipboards used in ceiling construction, are offered as a supplement to the I-joists, as UK customers have demanded end-to-end ceiling systems in the past. The wooden products are purchased in the eurozone, than they are sold in the UK in sterling. However, this resale business is being made significantly more difficult due to the lower value of sterling as a result of the “Brexit”. As price increases are only possible to a very limited extent, this resale business fell substantially in the first half of the year. However, the low margins in the resale business meant that this downturn did not impact STEICO’s profitability.

The markets in Poland and the rest of Eastern Europe are enjoying pleasing growth, the slight downturn in sales in Poland is mostly due to the lower sales of natural fiber

boards. As these products are mostly used as components for I-joists, sales to third parties is not of any strategic importance.

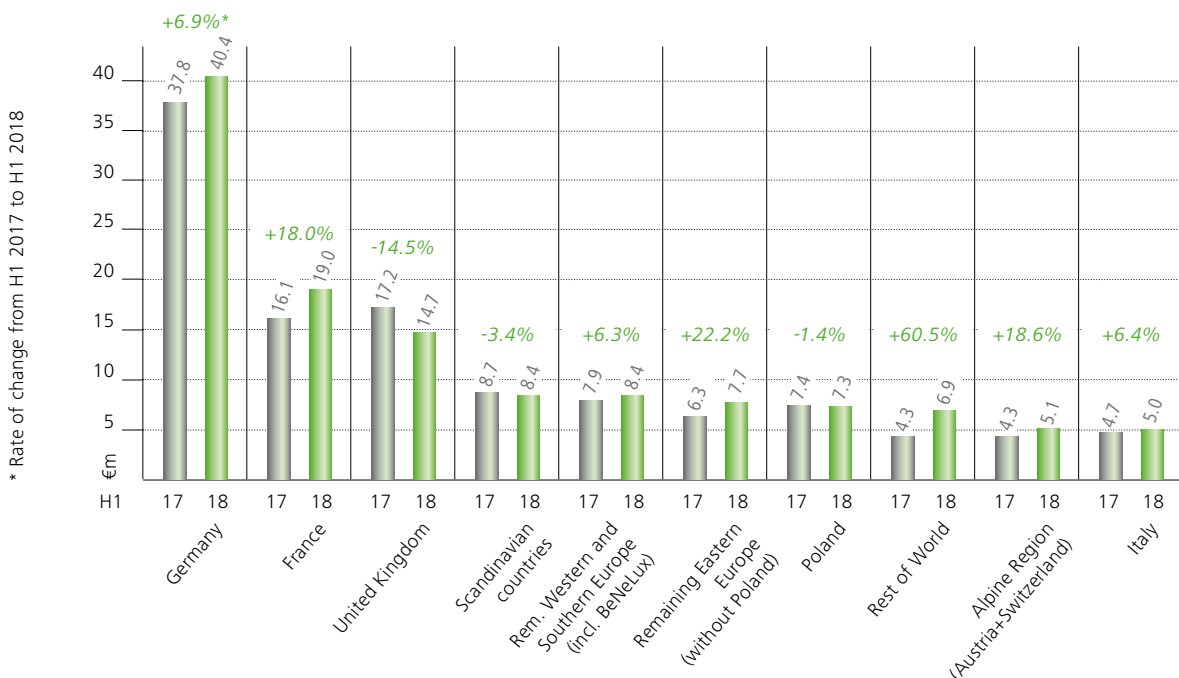
In addition, slight downturns in sales were also recorded in Scandinavian countries, with the STEICO Group being able to record very pleasing growth on all of its other markets.

H1 2018 Revenues by market



<sup>3</sup> All of the change rates have been calculated based on non-rounded figures.

H1 2018: Development revenues by market in € millions (122.8 Mio. € total)



\* Rate of change from H1 2017 to H1 2018

# Group management report for STEICO SE as of 30 June 2018

## 4. GROWTH IN THE PRODUCT SEGMENTS

In terms of environmentally friendly insulation materials, STEICO is benefiting from the stable construction sector and the trend to environmentally friendly building materials. This segment grew in the first six months by 7.7% to € 74.5 million.

The sale of I-joists (construction products) fell slightly in the first half of 2018 by 7.0%. As a result these products accounted for € 16.0 million of revenues. This is mostly due to the weaker sales in the United Kingdom (see B.II.3.). However, the company's management believes that this segment will grow again in future. Specific product versions as wall studs in timber frame construction are currently being

developed for central Europe. In addition sales on overseas markets are also being reinforced.

The sale of Laminated Veneer Lumber contributed around € 14.4 million to total revenues in the first six months. This corresponds to an increase of 60.0%. The company's management believes that it will be possible to record significant revenue growth in future in this segment, as the 100% performance test for the second laminated veneer production line has not yet fully taken place.

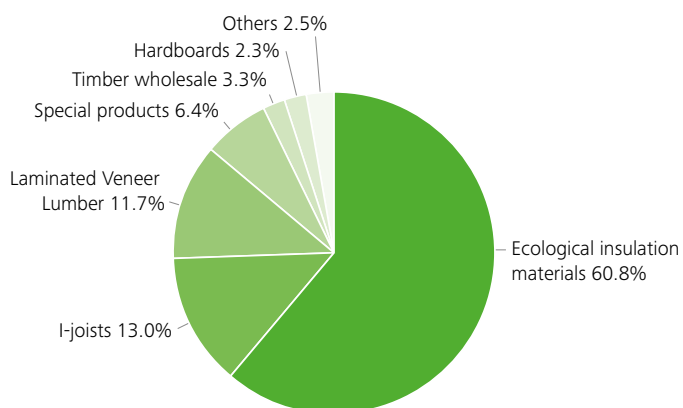
The specialty products segment enjoyed stable growth and contributed € 7.9 million to total revenues in the first six months.

Business with natural fiber boards (hardboards) was significantly negative in the first six months, down 20%. This development also reflects the fact that natural fiber boards are increasingly being used within the company as a component for I-joists and that sales to third parties are of no strategic importance.

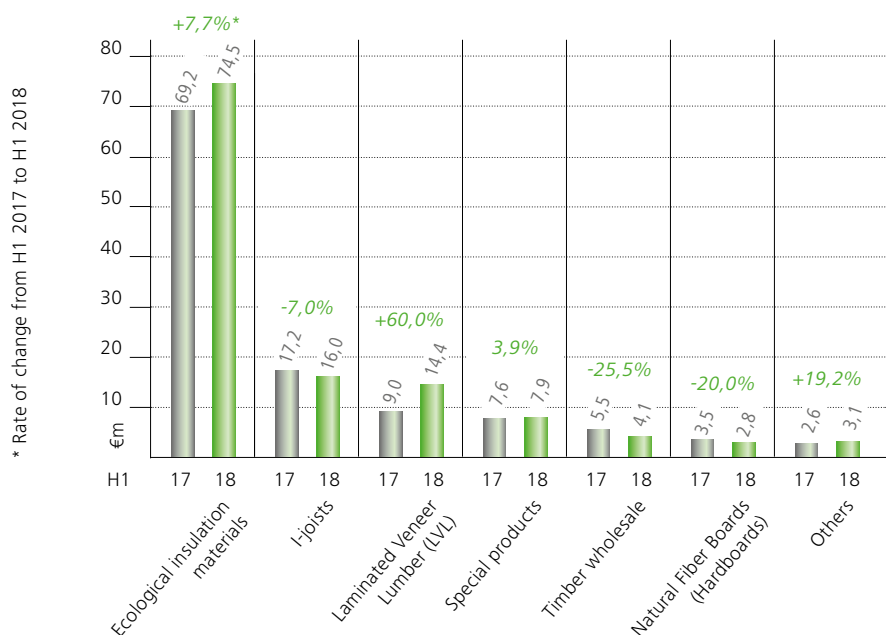
The timber wholesale segment also recorded a major sales downturn of 25.5%, which is due to the changes in the resale business in the United Kingdom (see B.II.3.).

The "Miscellaneous" products segment enjoyed positive growth and contributed € 3.1 million to total revenues in the first six months.

### H1 2018 Revenues by product segment



### H1 2018: Development revenues by products in € millions (122.8 Mio. € total)



\* Rate of change from H1 2017 to H1 2018

# Group management report for STEICO SE as of 30 June 2018

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

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

### 1. RESULTS OF OPERATIONS

In total, the STEICO Group's revenues lifted by 7.2% to € 122.8 million in the first half of the year (previous year: € 114.6 million) which is due to both the high demand for environmentally friendly insulation materials as well as the increases in Laminated Veneer Lumber.

During the first six months the level of finished goods and work in progress fell. Total operating revenue amounted to € 119.8 million (previous year: € 113.2 million).

The cost of materials ratio amounted to 54.7%, substantially lower than in the same period of the previous year at 58.9%, which played a key role in improving earnings. The personnel expenses ratio in the first six months was 18.2% (previous year: 16.9%). This increase is due to the staff increases which have already been implemented for both production and sales in view of the second Laminated Veneer Lumber line. We believe that the in future personnel costs will grow at a slower rate than revenues.

The other operating expenses ratio is 11.2% (previous year: 10.4%). This increase is due to factors including the impairment of CO<sub>2</sub> certificates and exchange rate differences.

The financial result totals € -0.5 million (previous year: € -0.6 million).

Consolidated net income for the first six months totaled € 8.5 million (previous year: € 6.4 million), up 32.8%.

### Q2 – viewed in isolation

Revenues of € 63.6 million were recorded in the second quarter (previous year: € 60.5 million) This corresponds to an increase of 5.1%.

Total operating revenue amounted to € 61.7 million (previous year: € 58.3 million).

Gross profits amounted to € 30.2 million (previous year: € 25.8 million).

EBITDA in the second quarter lifted by 20.0% to € 12.0 million (previous year: € 10.0 million). EBIT grew by 26.7% compared to the same quarter of the previous year and totaled € 7.6 million (previous year: € 6.0 million). The EBITDA margin is 19.4% (previous year: 17.1%), the EBIT margin is 12.3% (previous year: 10.3%).

In terms of both revenues and earnings this was the most successful quarter in the company's history.

### 2. FINANCIAL POSITION AND NET ASSETS

Total assets increased slightly as of 30 June 2018 to around € 305.7 million compared to 31 December 2017 (€ 298.7 million).

In line with the ongoing projects to increase capacity, property, plant and equipment increased to € 203.8 million (31 December 2017: € 200.5 million).

The increase in receivables and other assets to € 43.1 million is due to the higher order volumes in the summer months, as was also the case in previous years (31 December 2017: € 34.0 million).

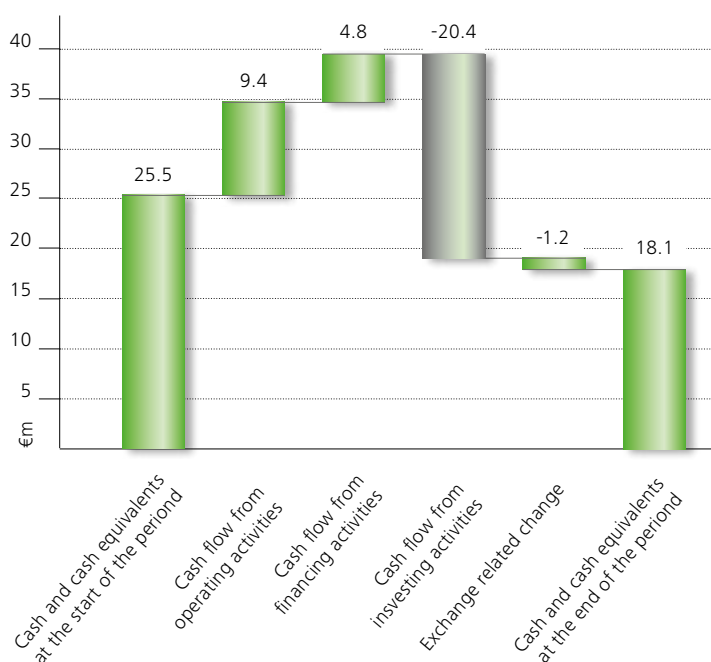
On 30 June 2018 the item cash in hand and bank balances amounted to € 18.1 million (31 December 2017: € 25.5 million). This downturn is due to the ongoing capital expenditure.

Equity and liabilities are characterised by an increase in liabilities to banks to € 99.1 million (31 December 2017: € 90.7 million). This is due to the ongoing investment projects to increase capacity, which are financed via the existing syndicated credit agreement.

On 30 June 2018 equity amounted to € 157.0 million (31 December 2017: € 161.0 million). This corresponds to an equity ratio of around 51.3% (31 December 2017: 53.9%).

## 3. LIQUIDITY

### H1 2018: Cash flows in € millions



#### Cash flow from operating activities

During the past six months, the STEICO Group recorded a cash flow from operating activities of € 9.4 million (2017 as a whole: € 25.5 million). During the first six months of the year the cash flow from operating activities is generally impacted by a particularly high level of trade receivables and, as a result, the high volume of business due to construction activities in the summer months.

#### Cash flow from investing activities

The cash flow from investing activities totaled € -20.4 million in the first six months of 2018 (2017 as a whole: € -46.0 million) and is mostly due to payments made for investments in property, plant and equipment. The largest block of capital expenditure is the construction of an additional biomass power plant at the facility in Czarnków.

#### Cash flow from financing activities

The cash flow from financing activities was positive in the first six months at € 4.8 million (2017 as a whole: € 27.6 million). This item is characterised by receipts and payments from funds from the syndicated loan to finance investment projects and dividend payments.

As of 30 June 2018 the STEICO Group's cash and cash equivalents totaled € 18.1 million (previous year: € 25.5

million). This is deposited 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

As a sales company with an extensive product range of environmentally friendly products, the STEICO Group attaches 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 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 the STEICO Group holds an environmental product declaration (EPD) for wood fiber 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 best grade of "very good" in the past. In the latest test in August 2017 the product "STEICOzell" once again received a grade of "very good".

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 2018 the STEICO Group had an average of 1,609 employees (without suspended employees) (previous year: 1,479). 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.

# Group management report for STEICO SE as of 30 June 2018

## C. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

There were no special events between 30 June 2018 and the date on which this report was published.

## D. OPPORTUNITY AND RISK REPORT, FORECAST

The following comments in the opportunity and risk report and in the forecast are, by their very nature, associated with a certain degree of forecasting uncertainty.

### I. FORECAST

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

The market for wood fiber insulation materials is continuing to enjoy dynamic growth and the company's management believes that it will record higher growth rates than the entire market for (conventional) insulation materials. In addition, the company's management believes that the announced price increase will allow the it to compensate for further increases in energy costs.

I-joists will continue to increase their share of the continental European market. The United Kingdom continues to be the most important sales market. The extent to which the "Brexit" negotiations will impact the UK's construction sector cannot yet be reliably forecast. However, at present the British construction sector is robust. In spite of this, however, management aims to diversify risks, for example by establishing sales markets in overseas countries.

The company's management believes that Laminated Veneer Lumber will continue to enjoy ongoing growth. In this regard, final acceptance (100% performance test) for the second production line is of particular importance. This is expected by the end of the third quarter.

As a result of the slightly slower pace of sales in the first six months, the company's management is now aiming for revenue growth over the year as a whole in the upper single-digit percentage range. In contrast, in terms of earnings, above average growth is also forecast for the year as a whole.

# Consolidated Income Statement 1 January - 30 June 2018

	6M 2018	6M 2017
	€	€
1. Revenues	122,846,264.99	114,629,151.16
2. Increase in finished goods and work in progress	-3,110,689.65	-1,478,185.43
3. Other own work capitalised	52,349.53	91,889.00
	<b>119,787,924.87</b>	<b>113,242,854.73</b>
4. Other operating income	2,418,545.77	2,859,217.12
	<b>122,206,470.64</b>	<b>116,102,071.85</b>
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and for purchased goods	-64,970,511.70	-66,026,603.90
b) Cost of purchased services	-590,515.71	-685,817.74
<b>6. Gross profits</b>	<b>56,645,443.23</b>	<b>49,389,650.21</b>
7. Personnel expenses		
a) Wages and salaries	-17,774,032.90	-15,616,495.51
b) Social security and expenses for retirement benefits	-4,033,326.13	-3,508,110.46
8. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-9,022,761.91	-7,885,746.06
9. Other operating expenses	-13,411,772.93	-11,816,238.28
<b>10. EBIT</b>	<b>12,403,549.36</b>	<b>10,563,059.90</b>
11. Other interest and similar income	279,729.35	273,682.21
12. Interest and similar expenses	-824,613.21	-921,248.12
<b>13. Financial result</b>	<b>-544,883.86</b>	<b>-647,565.91</b>
<b>14. Earnings before taxes</b>	<b>11,858,665.50</b>	<b>9,915,493.99</b>
15. Income taxes	-2,237,399.69	-2,586,249.09
<b>16. Earnings after taxes</b>	<b>9,621,265.81</b>	<b>7,329,244.90</b>
17. Other taxes	-1,097,733.73	-938,954.55
<b>18. Consolidated net income for the period</b>	<b>8,523,532.08</b>	<b>6,390,290.35</b>
19. Profit carried forward from previous year	35,519,612.38	23,210,009.32
<b>20. Consolidated profits</b>	<b>44,043,144.46</b>	<b>29,600,299.67</b>

As a result of the reclassifications there are differences compared to the previous year's figures.

# Semi-annual report 2018

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# STEICO Consolidated Balance Sheet as of 30 June 2018

## ASSETS

	30 June 2018	31 Dec. 2017
	€	€
<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.	1,456,702.75	1,486,642.13
2. Advance payments made	160,439.81	112,811.98
	<b>1,617,142.56</b>	<b>1,599,454.11</b>
<b>II. Property, plant and equipment</b>		
1. Land, land rights and buildings including buildings on third-party land	59,914,422.03	58,131,637.96
2. Technical plant and machinery	106,282,700.23	114,561,500.50
3. Other assets, operating and office equipment	2,376,562.22	2,238,882.29
4. Advances made and assets under construction	35,209,784.19	25,560,606.86
	<b>203,783,468.67</b>	<b>200,492,627.61</b>
<b>III. Financial assets</b>		
1. Interests in affiliated companies	0.00	2,137.90
2. Loans to affiliated companies	11,417.27	8,618.62
3. Other loans	211,700.00	211,700.00
	<b>223,117.27</b>	<b>222,456.52</b>
	<b>205,623,728.50</b>	<b>202,314,538.24</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials, consumables and supplies	22,641,533.96	19,701,537.91
2. Work in progress	1,732,937.71	1,551,738.21
3. Finished goods and merchandise	10,738,439.77	13,642,413.78
4. Advance payments made	26,943.25	117,593.61
	<b>35,139,854.69</b>	<b>35,013,283.51</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	27,813,781.17	20,878,931.17
2. Receivables from affiliated companies	9,511.07	8,119.62
3. Other assets	15,283,813.10	13,076,691.51
	<b>43,107,105.34</b>	<b>33,963,742.30</b>
<b>III. Securities</b>		
Other securities	55,362.65	43,247.15
<b>IV. Cash in hand and bank balances</b>	<b>18,055,671.87</b>	<b>25,528,972.69</b>
	<b>96,357,994.55</b>	<b>94,549,245.65</b>
<b>C. PREPAID EXPENSES</b>	<b>2,854,846.48</b>	<b>783,434.02</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>821,641.67</b>	<b>1,057,860.97</b>
	<b>305,658,211.20</b>	<b>298,705,078.88</b>



# STEICO Consolidated Balance Sheet as of 30 June 2018

## EQUITY AND LIABILITIES

	30 June 2018	31 Dec. 2017
<b>A. EQUITY</b>		
I. Subscribed capital	14,083,465.00	14,083,465.00
II. Additional paid-in capital	104,911,923.60	104,911,923.60
III. Retained earnings Other retained earnings	7,050,000.00	7,050,000.00
IV. Difference in equity from currency translation	-13,133,841.58	-3,510,567.38
V. Consolidated profits	44,043,144.46	38,477,140.03
	<b>156,954,691.48</b>	<b>161,011,961.25</b>
<b>B. PROVISIONS</b>		
1. Provisions for pensions and similar obligations	2,600,801.28	2,654,868.25
2. Provisions for taxes	2,041,524.07	2,495,304.17
3. Other provisions	11,765,481.11	8,794,599.06
	<b>16,407,806.46</b>	<b>13,944,771.48</b>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	99,137,704.00	90,651,559.11
2. Advance payments received on account of orders	53,087.67	129,592.50
3. Trade payables	17,977,804.44	22,715,554.38
4. Other liabilities	13,711,938.56	8,807,131.88
	<b>130,880,534.67</b>	<b>122,303,837.87</b>
<b>D. DEFERRED INCOME</b>		
	6,512.13	6,818.01
<b>E. DEFERRED TAX LIABILITIES</b>		
	1,408,666.46	1,437,690.27
	<b>305,658,211.20</b>	<b>298,705,078.88</b>

# STEICO Consolidated Cash Flow Statement for H1 2018

	1 Jan - 30 June 2018	1 Jan - 31 Dec. 2017
	€	€
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
1. Earnings for the period (consolidated net income/loss)	8,523,532.08	15,267,130.71
2. +/- Amortization/depreciation of non-current assets	9,022,761.91	15,886,934.71
3. +/- Increase/decrease in provisions	2,835,099.08	957,107.51
4. +/- Other non-cash expense/income	-42,313.96	-629,355.29
5. +/- Increase/decrease in inventories, trade receivables and other assets that are not allocated to investing or financing activities	-11,353,462.18	-11,856,304.77
6. +/- Increase/decrease in trade payables and other liabilities that are not allocated to investing or financing activities	90,246.03	3,893,269.12
7. +/- Gains/losses from the disposal of non-current assets	41,914.94	179,994.05
8. +/- Interest income/expense	544,883.86	1,026,857.94
9. +/- Income tax expense/income	2,237,399.69	3,693,907.90
10. +/- Income tax payments	-2,483,984.30	-2,925,601.98
<b>11. = Cash flow from operating activities</b>	<b>9,416,077.15</b>	<b>25,493,939.90</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
1. - Payments made for investments in intangible non-current assets	-323,227.66	-1,168,749.03
2. + Proceeds received from disposals of items of property, plant and equipment	1,134,532.90	243,289.63
3. - Payments made for investments in property, plant and equipment	-21,535,855.22	-45,626,564.92
4. + Proceeds received from disposals of financial assets	0.01	0.01
5. - Payments made for investments in financial assets	-1,179.04	0.00
6. + Interest received	279,729.35	566,905.16
<b>7. = Cash flow from investing activities</b>	<b>-20,445,999.66</b>	<b>-45,985,119.15</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
1. Proceeds received from additions to equity by shareholders of the parent company	0.00	24,966,142.45
2. + Proceeds received from taking out (financial) loans	15,047,270.89	16,500,044.11
3. - Payments made from redeeming bonds and (financial) loans	-6,561,126.00	-9,997,246.00
4. - Interest paid	-742,897.21	-1,601,883.10
5. - Dividends paid to shareholders of the parent company	-2,957,527.65	-2,304,567.00
<b>6. = Cash flow from financing activities</b>	<b>4,785,720.03</b>	<b>27,562,490.46</b>
<b>IV. CASH AND CASH EQUIVALENTS</b>		
1. Net change in cash and cash equivalents	-6,244,202.48	7,071,311.21
2. +/- Exchange-rate related change in cash and cash equivalents	-1,229,098.34	847,580.07
3. + Cash and cash equivalents - start of period	25,528,972.69	17,610,081.41
<b>4. = Cash and cash equivalents - end of period</b>	<b>18,055,671.87</b>	<b>25,528,972.69</b>

# STEICO Notes to the consolidated financial statements

## 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 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 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.

As a rule, 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 under current assets are carried at acquisition cost or at their lower fair value.

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) 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.

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.

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# STEICO Notes to the consolidated financial statements

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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 the historical rate.

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:

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Closing rate on 30 June 2018:	4.37320
Average rate in H1 2018:	4.24073

#### The exchange rates for GBP/€ are:

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Closing rate on 30 June 2018:	0.88605
Average rate in H1 2018:	0.88010

### 4. SUPERVISORY BOARD

STEICO's Supervisory Board comprises 4 members.

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

Mr. Uto Baader, Munich, banker, Deputy Chairman of the Supervisory Board

Ms Katarzyna Schramek, Munich, attorney

Dr. Jürgen Klass, Munich, attorney

### 5. DIRECTORS

STEICO SE's Board of Directors comprises 6 members.

Mr. Udo Schramek, Munich, Chairman and Managing Director of STEICO SE - responsible for R&D, quality assurance, marketing, purchasing, business sector development, application technology, IT, legal and HR.

Mr. Holger Jödecke, Munich, Managing Director for production, quality management, sustainability management.

Mr. Uwe Lange, Berga, Managing Director for line construction and investment project management.

Dr. David Meyer, Munich, Managing Director for finance, accounting & controlling and investor relations.

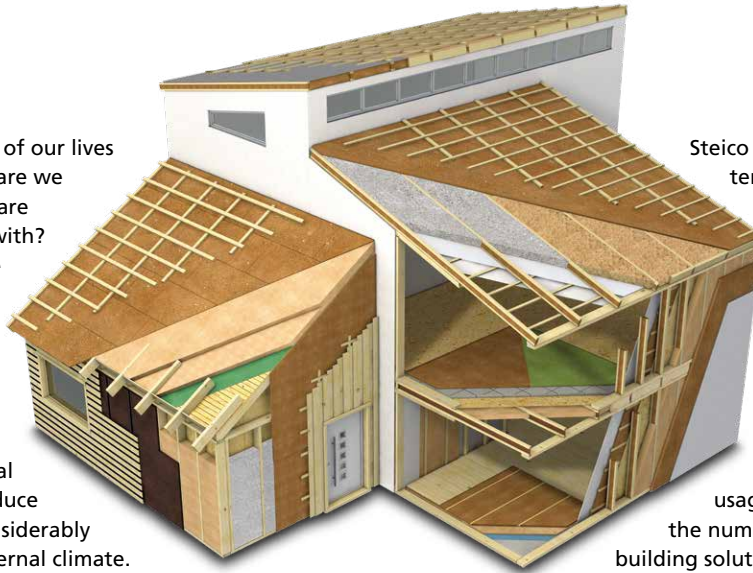
Mr. Milorad Rusmir, Kirchheim, Managing Director for wood wholesale

Mr. Heiko Seibert, Koblenz, Managing Director for sales.

# Semi-annual report 2018

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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 cold protection 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



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