

STEICO SE

Half Year Report 2019

The green share

6M 2019

Solid growth and stable margins at a high level



Natural building products for healthier living

Overview

Solid growth and stable margins at a high level

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 periods in € millions



ADDITIONAL KPIS

	6M 2019	FY 2018	6M 2018
1. Total operating revenue in € millions	€ 140.5 million	€ 254.1 million	€ 119.8 million
2. EBITDA margin as a percentage of total operating revenue	18.5%	17.5%	17.9%
3. EBIT margin as a percentage of total operating revenue	9.8%	9.7%	10.4%
4. Equity ratio (as of June 30 or December 31)	51.8%	53.7%	51.3%

Percentage increases and margins calculated based on non-rounded figures.

The STEICO Group continued its growth in the first six months of 2019 with new record-breaking revenues and earnings.

It reports solid growth with revenues up by 13.6% to € 139.6 million. This positive growth is due to both construction products and also insulation materials.

Earnings also enjoyed pleasing growth. EBITDA improved in the first six months by 21.3% to € 26.0 million and EBIT lifted by 10.5% to € 13.7 million. Net income for the period increased by 7.4% to € 9.2 million.

The EBITDA margin of 18.5% and the EBIT margin of 9.8% mean that STEICO has continued its growth with a constant high level of profitability.

The management is very positive about the second half of 2019. The European construction industry is proving to be an anchor of stability despite the gloomy general economic outlook, and the timber construction segment continues to enjoy dynamic growth.

The STEICO Group's innovative products and capacity reserves in production mean that the Group is excellently positioned to continue its growth. The Board of Directors therefore confirms the outlook for 2019 as a whole with revenue growth above 10% and an EBIT ratio of between 9% and 10% (in terms of total operating revenue).

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 air injected 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 a translated 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. SHARE PRICE GROWTH IN 2019

STEICO's shares started the year with a price of € 19.20 on 2 January 2019 (Xetra closing price), with the price falling to a low of € 19.12 during the next day.

After a sharp rise in the price in the first weeks of January, the shares recorded what was, in some cases, fluctuating growth, but with a clear upward trend. The high for the period was recorded on 20 May at € 24.80. STEICO's shares closed at a price of € 22.90 in Xetra trading on 28 June. This corresponds to a share price increase of 19.3% in the first six months of 2019.

STEICO's shares: development H1 2019



B. INVESTOR RELATIONS

As was the case in previous years, STEICO SE engaged in open and direct communication with the capital markets in 2019, 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. Information on key events is disseminated via a well-known institution to comply with publicity obligations.

C. CAPITAL MARKET DIARY 2019

10/11 January 2019	STEICO presented the company at the 22nd Oddo Forum, held by ODDO BHF in Lyon (France)
14 January 2019	STEICO presented the company to institutional investors at the 3rd STEICO Capital Markets Day (Feldkirchen, Munich)
4 February 2019	Publication of provisional figures for 2018
6 February 2019	STEICO presented the company at the HSBC SRI Conference (Frankfurt am Main)
19/20 February 2019	STEICO presented the company at the "13th German Conference" held by ODDO BHF (Frankfurt/Main)
1 May 2019	Publication of the 2018 STEICO annual report
1 May 2019	Publication of STEICO's 2019 Q1 report
27 June 2019	STEICO SE's 2019 Ordinary General Meeting
28 June 2019	STEICO presented the company to institutional investors at Warburg Highlights Conference (Hamburg)
19 July 2019	Publication of STEICO's 2019 semi-annual report
October 2019	Publication of STEICO's 2019 Q3 report
2 October 2019	STEICO will present the company to institutional investors in London (roadshow with Warburg)

Current dates for the capital markets are published online at www.steico.com/ir.

Group management report for STEICO SE as of 30 June 2019

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"), air injected 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 2019 the bulk of revenues (61.4%) 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

Cavity 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 cavity 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 "flanges" (square timber posts made of laminated veneer lumber) which are connected using a fiberboard. Some of the web material is purchased (OSB: Oriented Strand Board), but the majority is produced in-house (Natural Fiber Boards). 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)

LVL is a high-performance engineered wood product and comprises several layers of wooden veneers 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 (flange material).

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 wood 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

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)

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

The Miscellaneous 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 industrial applications..

Services

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 timber 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 2019

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 2019 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
- Research activities to develop formaldehyde-free bonding 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
- Development and pre-production of full wall, roof and ceiling elements produced using the STEICO construction system

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

In the first quarter of 2019, according to estimates by Eurostat, the statistical office of the European Union, seasonally adjusted GDP grew by 0.4% in the euro area (EA19) and by 0.5% in the EU28 compared with the previous quarter. In the fourth quarter of 2018, GDP grew by 0.2% in the euro area and by 0.3% in the EU28. Compared to the same quarter of the previous year, seasonally adjusted GDP grew by 1.2% in the euro area in the first quarter of 2019 and by 1.5% in the EU28, after +1.2% or +1.5% in the previous quarter.¹ The European economy thus remains robust, even though growth has recently lost momentum.

In the first six months of 2019 the European construction sector enjoyed positive growth. Current figures from Eurostat are available through to April 2019 and show that production in the construction sector increased by 3.9% in the euro area and 4.5% in EU28 compared to the same month of the previous year.²

In Germany, the construction industry remains at a high level. Planning permission for residential properties was down by 1.3% year-on-year in the period from January to April 2019. In contrast, the number of building permits for single-family homes was up by 2.2%.³ Most STEICO products are sold in this segment. In addition, a clear surplus of approved but not yet completed apartments can still be observed. A total of 346,000 apartments were approved in 2018, but only just under 286,000 apartments were completed.⁴

The upward trend in the timber construction/pre-fab segment continues unabated. For example, the proportion of approved timber-framed residential buildings rose from 15.1% to 17.8% between 2014 and 2018.⁵ The Bundesverband deutscher Fertigbau (Federal Association of German Prefabricated Buildings) even reports a pre-fabricated construction rate of over 20% for the first quarter of 2019.⁶

¹ Source: Eurostat; Press release 93/2019 dated 6 June 2019

² Source: Eurostat; Press release 99/2019 dated 19 June 2019

³ Source: Destatis, press release 232 dated 19 June 2019

⁴ Source: Destatis, press release 201 dated 19 May 2019

⁵ Source: Holzbau Deutschland, Management Report 2019

⁶ Source: Bundesverband Deutscher Fertigbau e.V., press release dated 2 June 2019

2. COMPETITION

With regard to wood-fiber insulation materials, the most important competitors in 2019 in the opinion of the company's management were Soprema with its Pavatex brand (France), Gutex (Germany), bestwood Schneider (Germany), Hunton (Norway) and Skano (Estonia).

Consolidation on the market for wood-fiber insulation materials is continuing. At the end of 2018, the competitor Homanit Building Materials (brand and former company name: Homatherm) discontinued its business operations. In addition, in the first half of 2019 the competitor Soprema/Pavatex discontinued the production of wood fiber boards in Switzerland in the first half of 2019. The resulting lower competitive pressure is has enabled the STEICO Group to compensate for increased input costs for the first time in years by implementing a moderate price increase across the entire product range as of 1 March 2019.

In terms of natural fiber boards (hardboards), in STEICO's view the most important competitors in the first half of 2019 were Fibris (Poland), Homanit (Poland), Woodway Group (Russia), Huntonit (Norway) and Finnish Fiberboard (Finland).

STEICO SE's management believes that in the first half 2019 its key competitors for I-joists were Metsä (Finland), Masonite (Sweden), as well as James Jones (United Kingdom).

The most important competitors for laminated veneer lumber in the first six months of 2019 were Metsä (Finland), Stora Enso (Finland), Pollmeier (Germany), as well as MLT/Taleon Terra (Russia).

II. COURSE OF BUSINESS

1. KEY EVENTS IN THE FIRST SIX MONTHS OF 2019

There were no major events.

2. UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

Production of laminated veneer lumber (LVL)

Last year, the second production line for laminated veneer lumber still faced technical challenges, but these have now largely been eliminated. It was possible to constantly increase the quantity produced in the first six months of 2019.

Production of wood fiber insulation materials

Thanks to the commissioning of new production capacities for wood fiber insulating materials, sufficient production capacities are available in all production processes.

Production of prefabricated timber construction elements

The commissioning phase of the production line for prefabricated timber construction elements is scheduled to start in the summer of 2019. Target markets for this new offering are the Eastern European markets, and Poland in particular. Significant sales from this segment are not yet expected in 2019.

Energy costs

The costs for energy and CO₂ certificates remain at a high level. That is why the STEICO Group has been primarily investing in using biomass as a source of energy and also in projects to increase its energy efficiency. The Czarna Woda site is to be fully converted to biomass as an energy source for regular production in July 2019. The Czarńków site is to be operated in regular biomass operation from September 2019 (see Annual Report 2018, Page 12.)

Group management report for STEICO SE as of 30 June 2019

3. COURSE OF BUSINESS⁷

During the first six months the STEICO Group's revenues lifted by 13.6%. Revenues in the core market of Germany lifted by 17.7% to € 47.6 million. Revenue growth in France, the second largest market, amounted to 7.2% to € 20.3 million.

In the United Kingdom, the STEICO Group's third largest market, revenues improved by 12.0% to € 16.5 million despite the insecurities surrounding Brexit. Management anticipates continued stable growth unless a "hard Brexit" in the second half of the year leads to economic upheavals.

Revenues in the rest of the world lifted by 67.6% to € 11.5 million. This growth is attributable in particular to the increased share of exports for I-joists on overseas markets. With their low packing volume, I-joists are ideal for container shipping and their high load-bearing capacity gives them a competitive advantage over many local products.

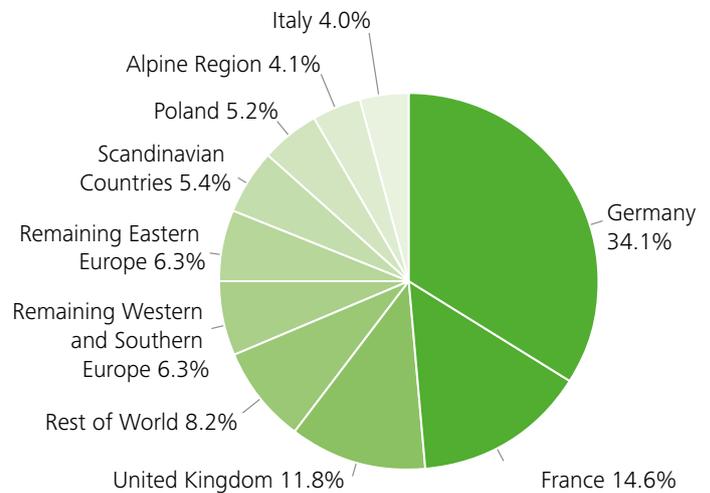
The markets in Poland and the rest of Eastern Europe are enjoying pleasing growth, the slight downturn in sales in Poland is mostly due to the lower sales of natural fiber boards. As these products are mostly used as components for I-joists, sales to third parties is not of any strategic importance.

In addition, slight downturns in sales were also recorded in

Scandinavian countries. Some special products are sold via Scandinavian intermediaries and then exported to the Middle East.

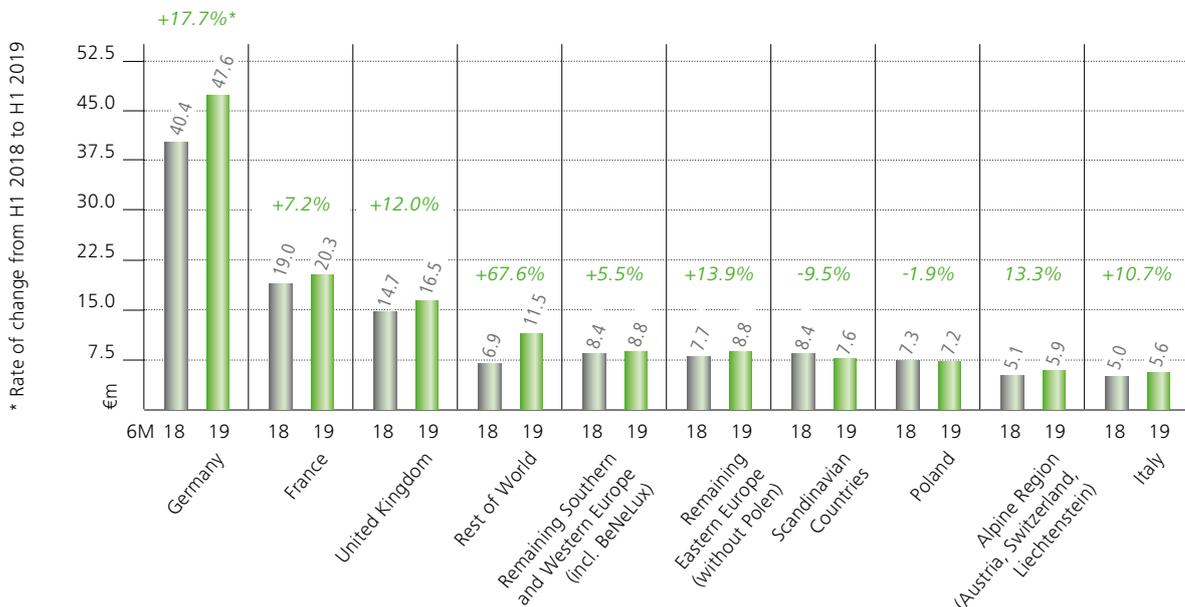
The STEICO Group was able to record what was in some cases very pleasing growth on all of its other markets.

H1 2019: Ratio revenues by markets



⁷ All of the change rates have been calculated based on non-rounded figures.

H1 2019: Development revenues by markets in € millions (139.6 € millions total)



* Rate of change from H1 2018 to H1 2019

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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 and increased timber construction. This segment grew in the first six months by 14.9% to € 85.7 million.

The sale of I-joists (construction products) increased in the first half of 2019 by 34.8%. As a result these products accounted for € 21.6 million of revenues. This is mainly due to significantly higher exports to overseas markets.

The sale of laminated veneer lumber contributed around € 15.9 million to total revenues in the first six months. This corresponds to an increase of 10.2%. The growth rates in terms of production volumes are still well above this figure, as laminated veneer lumber is also used as a component of the rapidly growing I-joists.

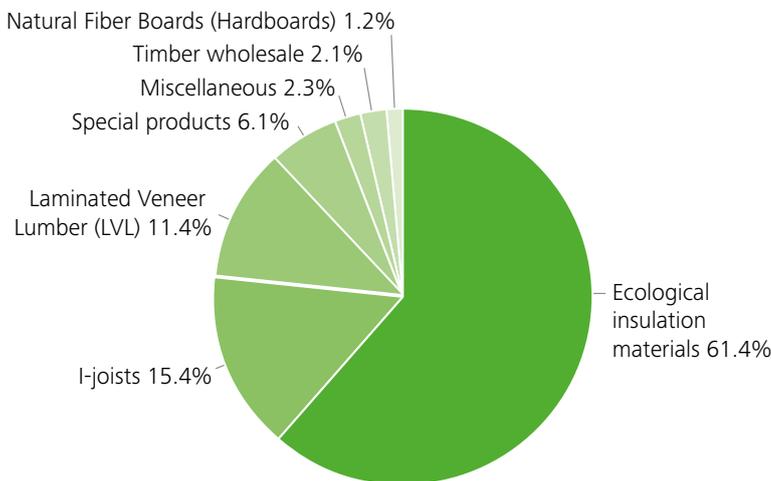
The specialty products segment enjoyed stable growth and contributed € 8.6 million to total revenues in the first six months. This corresponds to an increase of 9.2%.

The "Miscellaneous" products segment enjoyed growth of 5.5% and contributed € 3.2 million to total revenues in the first six months.

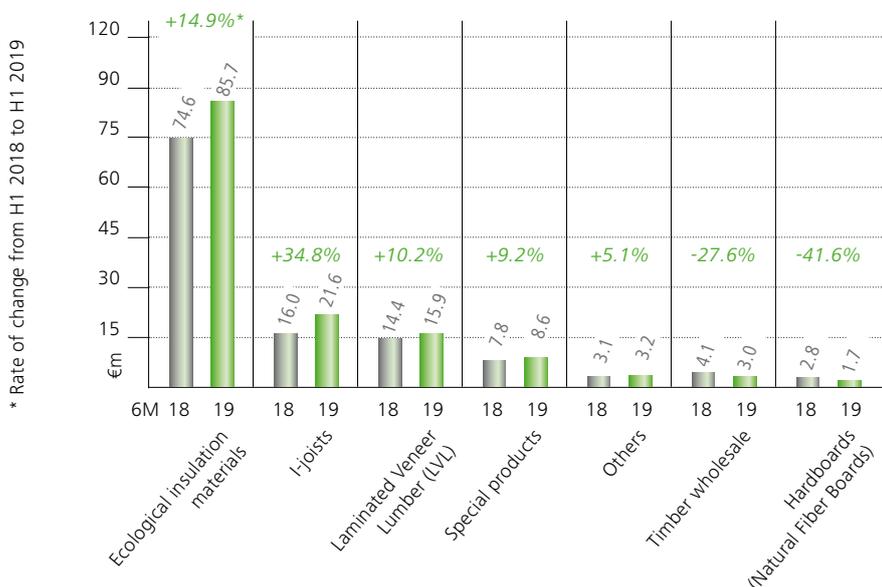
The wood wholesale segment also recorded a downturn of 27.6% to € 3.0 million. The timber trade serves to round off the product range and is of no strategic importance.

Business with fiberboards was significantly negative in the first six months, and contributed € 1.7 million to total revenues. In particular, this development reflects the fact that fiberboards are increasingly being used within the company as a component for I-joists and that sales to third parties are of no strategic importance.

H1 2019: Ratio revenues by Products



H1 2019: Development revenues by products in € millions (139.6 € millions total)



* Rate of change from H1 2018 to H1 2019

Group management report for STEICO SE as of 30 June 2019

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 13.6% to € 139.6 million in the first half of the year (previous year: € 122.8 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 increased. Total operating revenue amounted to € 140.5 million (previous year: € 119.8 million).

The cost of materials ratio amounted to 57.0%, higher than in the same period of the previous year at 54.7%. On the one hand, this reflects the rise in energy costs, especially electricity costs in production. On the other hand, the increase is due to the commissioning of new production facilities with capacity reserves for further growth, which are currently not fully utilised.

The personnel expenses ratio in the first six months was 17.3% (previous year: 18.2%) and thus grew at a lower than average rate. One reason for this is that in the previous year a large proportion of the personnel had already been recruited for new production capacities, e.g. for the second laminated veneer lumber (LVL) line, without the corresponding output quantities being available.

Amortisation of intangible fixed assets and depreciation of tangible fixed assets amounted to € 12.3 million, up by 36.1% (previous year: € 9.0 million). This increase is attributable to the ongoing investment activity in recent years. In addition, the rise in the price of CO₂ certificates has had a significant impact on this item. The costs for the requisite CO₂ certificates are capitalized as other assets upon acquisition. When the CO₂ certificates are later consumed, a corresponding write-down is made, which increases this item. The STEICO Group is pressing ahead with transitioning its energy supply to CO₂-neutral energy sources (biomass) in order to make itself less dependent on energy price developments in the future. (Cf. B.II. energy costs).

The other operating expenses ratio is 9.3% (previous year: 11.2%). The decline is partly due to lower expenses for currency translation.

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

Consolidated net income for the first six months totaled € 9.2 million (previous year: € 8.5 million), up 7.4%.

Q2 - standalone

Revenues of € 68.7 million were recorded in the second quarter (previous year: € 63.6 million) This corresponds to an increase of 7.9%. Total operating revenues amounted to € 69.7 million (previous year: € 61.7 million)

Gross profits amounted to € 32.9 million (previous year: € 30.2 million).

EBITDA in the second quarter lifted by 8.2% to € 12.9 million (previous year: € 12.0 million). EBIT fell by 6.8% to € 7.1 million (previous year: € 7.6 million). The EBITDA margin is 18.6% (previous year: 19.4%), the EBIT margin is 10.1% (previous year: 12.3%).

Following an announced increase in sales prices as of 1 March 2019, the first quarter was characterized by significant pull-forward effects on orders and exceptional growth. The trend in the second quarter was therefore somewhat more subdued. Nevertheless, pleasing growth was recorded.

EBIT in the second quarter was also depressed by higher depreciation and amortization as a result of more expensive CO₂ certificates (cf. B.III.1. Results of operations). Nevertheless, stable high profit margins were achieved - in EBITDA as well as in EBIT. The second quarter is thus fully in line with the forecast.

2. FINANCIAL POSITION AND NET ASSETS

Total assets increased substantially as of 30 June 2019 to around € 341.2 million compared to 31 December 2018 (€ 313.1 million).

In line with the ongoing investment projects, property, plant and equipment increased to € 236.3 million (31 December 2018: € 221.0 million).

The increase in receivables and other assets to € 45.7 million is due to the higher order volumes in the summer months, as was also the case in previous years (31 December 2018: € 32.9 million).

On 30 June 2018 the item cash in hand and bank balances amounted to € 16.9 million (31 December 2018: € 18.8 million). This downturn is due to the ongoing capital expenditure.

Equity and liabilities are characterised by an increase in liabilities to banks to € 110.5 million (31 December 2018: € 93.6 million). This is due to the ongoing investment

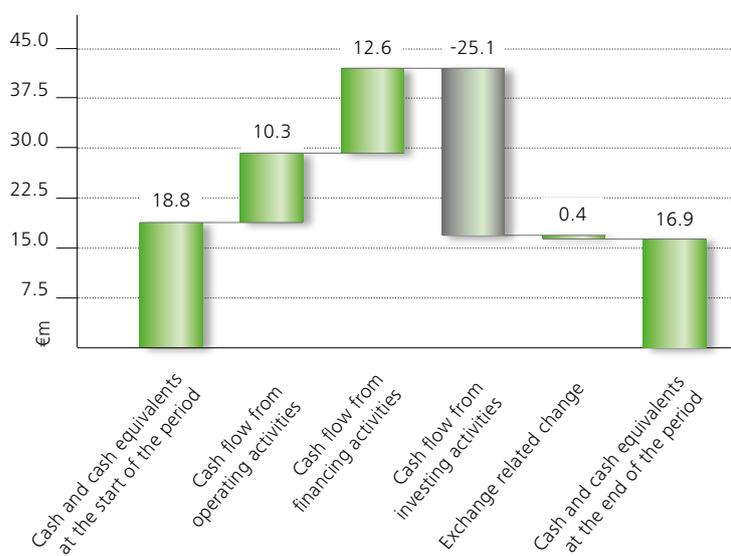
Group management report for STEICO SE as of 30 June 2019

projects, which are financed via the existing syndicated credit agreement.

On 30 June 2019 equity amounted to € 176.6 million (31 December 2018: € 168.1 million). This corresponds to an equity ratio of around 51.8% (31 December 2018: 53.7%).

3. LIQUIDITY

H1 2019: 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 € 10.3 million (2018 as a whole: € 40.5 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 € -25.1 million in the first six months of 2019 (2018 as a whole: € -44.9 million) and is mostly due to payments made for investments in property, plant and equipment. The largest block of investment is in increasing energy efficiency (biomass power plants) and production efficiency (automation).

Cash flow from financing activities

The cash flow from financing activities is positive in the first six months at € 12.6 million (2018 as a whole: € -1.6 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 2019 the STEICO Group's cash and cash equivalents totaled € 16.9 million (previous year: € 18.8 million). This is 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

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. This includes the sustainable procurement of raw materials as well as the conversion of the internal energy supply from fossil to renewable energy sources. Detailed information on the STEICO Group's environmental protection activities can be found in the STEICO Sustainability Report at www.steico.com or in the STEICO Annual Report 2018.

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 grade of "very good" in the past. In the last test in August 2017 the product "STEICOzell" once again received a grade of "excellent".

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

Group management report for STEICO SE as of 30 June 2019

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 2019 the STEICO Group had an average of 1,778 employees (without suspended employees) (previous year: 1,609). 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.

C. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

There were no special events between 30 June 2019 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 management is very positive about the second half of 2019. The European construction industry is proving to be an anchor of stability despite the gloomy general economic outlook, and the timber construction segment continues to enjoy dynamic growth.

Management anticipates continued stable growth unless a "hard Brexit" in the second half of the year leads to economic upheavals, or if an early start to winter weather conditions restricts construction activities.

The STEICO Group's innovative products and capacity reserves in production mean that the Group is excellently positioned to continue its growth. The Board of Directors therefore confirms the outlook for 2019 as a whole with revenue growth above 10% and an EBIT ratio of between 9% and 10% (in terms of total operating revenue).

Consolidated income statement 1 January - 30 June 2018

	6H1 2019	H1 2018
	€	€
1. Revenues	139,571,968.03	122,846,264.99
2. Increase in finished goods and work in progress	867,256.14	-3,111,245.27
3. Other own work capitalised	27,197.94	52,349.53
	140,466,422.11	119,787,369.25
4. Other operating income	3,009,510.40	2,418,545.77
	143,475,932.51	122,205,915.02
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and for purchased goods	-79,706,962.26	-64,969,956.09
b) Cost of purchased services	-411,627.67	-590,515.71
6. Gross profits	63,357,342.58	56,645,443.23
7. Personnel expenses		
a) Wages and salaries	-19,657,107.08	-17,774,032.86
b) Social security and expenses for retirement benefits	-4,613,897.39	-4,033,326.09
8. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-12,276,188.07	-9,022,761.91
9. Other operating expenses	-13,105,112.51	-13,411,773.52
10. EBIT	13,705,037.53	12,403,548.84
11. Other interest and similar income	386,367.50	279,729.35
12. Interest and similar expenses	-883,217.45	-824,613.21
13. Financial result	-496,849.95	-544,883.86
14. Earnings before taxes	13,208,187.58	11,858,664.98
15. Income taxes	-2,855,275.30	-2,237,399.69
16. Earnings after taxes	10,352,912.28	9,621,265.29
17. Other taxes	-1,195,503.50	-1,097,733.73
18. Consolidated net income for the period	9,157,408.78	8,523,531.56
19. Profit carried forward from previous year	48,158,835.09	35,519,612.72
20. Consolidated profits	57,316,243.87	44,043,144.28

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

Half Year Report 2019

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STEICO Consolidated Balance Sheet as of 30 June 2019

ASSETS

	30 June 2019	31 Dec. 2018
	€	€
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Acquired concessions, industrial property rights and similar rights and assets	1,872,870.59	1,248,923.87
2. Advance payments made	0.00	186,648.66
	1,872,870.59	1,435,572.53
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third-party land	60,229,003.77	59,399,792.42
2. Technical plant and machinery	114,088,461.58	117,811,554.29
3. Other assets, operating and office equipment	2,504,605.93	2,497,207.98
4. Advances made and assets under construction	59,487,698.36	41,301,431.22
	236,309,769.64	221,009,985.91
III. Financial assets		
1. Interests in affiliated companies	2,101.38	2,076.07
2. Loans to affiliated companies	29,414.53	9,531.78
3. Other loans	211,700.00	211,700.00
	243,215.91	223,307.85
	238,425,856.14	222,668,866.29
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, consumables and supplies	17,981,799.56	20,143,087.22
2. Work in progress	2,033,544.00	1,570,822.17
3. Finished goods and merchandise	15,538,536.24	15,145,583.93
4. Advance payments made	42,004.58	132,325.48
	35,595,884.38	36,991,818.80
II. Receivables and other assets		
1. Trade receivables	28,613,388.82	20,967,996.79
2. Receivables from affiliated companies	301.14	11,454.86
3. Other assets	17,078,506.58	11,919,211.65
	45,692,196.54	32,898,663.30
III. Securities		
Other securities	137,419.15	3,354.07
IV. Cash in hand and bank balances	16,914,353.73	18,763,869.87
	98,339,853.80	88,657,706.04
C. DEFERRED INCOME	3,303,261.20	571,312.01
D. DEFERRED TAX ASSETS	1,176,375.47	1,187,706.66
	341,245,346.61	313,085,591.00

STEICO Consolidated Balance Sheet as of 30 June 2019

EQUITY AND LIABILITIES

	30 June 2019	31 Dec. 2018
	€	€
A. EQUITY		
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	-6,726,090.99	-9,615,513.60
V. Consolidated profits	57,316,243.87	51,679,709.84
	176,635,541.48	168,109,584.84
B. PROVISIONS		
1. Provisions for pensions and similar obligations	3,215,365.33	3,160,755.93
2. Provisions for taxes	2,368,790.33	3,212,869.37
3. Other provisions	11,392,578.59	9,561,933.76
	16,976,734.25	15,935,559.06
C. LIABILITIES		
1. Liabilities to banks	110,505,682.00	93,571,808.00
2. Advance payments received on account of orders	32,073.69	168,524.05
3. Trade payables	19,164,690.19	24,132,879.29
4. Other liabilities	16,582,740.68	9,819,457.01
	146,285,186.56	127,692,668.35
D. DEFERRED INCOME		
	6,701.53	6,620.83
E. DEFERRED TAX LIABILITIES		
	1,341,182.79	1,341,157.92
	341,245,346.61	313,085,591.00

STEICO Consolidated cash flow statement for H1 2019

	01.01.-30.06.2019	01.01.-31.12.2018
	€	€
I. CASH FLOW FROM OPERATING ACTIVITIES		
1. Earnings for the period (consolidated net income/loss)	9,157,408.78	16,160,097.46
2. +/- Amortization/depreciation of non-current assets	12,276,188.07	19,842,802.23
3. +/- Increase/decrease in provisions	1,820,988.23	1,193,811.38
4. +/- Other non-cash expense/income	-27,197.94	-69,901.20
5. +/- Increase/decrease in inventories, trade receivables and other assets that are not allocated to investing or financing activities	-14,263,613.09	-661,441.20
6. +/- Increase/decrease in trade payables and other liabilities that are not allocated to investing or financing activities	1,658,724.91	2,468,384.41
7. +/- Gains/losses from the disposal of non-current assets	30,996.99	56,716.11
8. +/- Interest expense/income	496,849.95	1,039,876.04
9. +/- Income tax expense/income	2,855,275.30	5,000,484.63
10. +/- Income tax payments	-3,687,998.28	-4,509,297.47
11. = Cash flow from operating activities	10,317,622.92	40,521,532.39
II. CASH FLOW FROM INVESTING ACTIVITIES		
1. - Payments made for investments in intangible non-current assets	-2,436,634.25	-1,677,122.98
2. + Proceeds received from disposals of items of property, plant and equipment	-20,189.18	1,729,474.90
3. - Payments made for investments in property, plant and equipment	-23,026,091.34	-45,585,553.05
4. - Payments made for investments in financial assets	-19,607.98	-1,171.40
5. + Interest received	386,367.50	552,401.09
6. = Cash flow from investing activities	-25,116,155.25	-44,981,971.44
III. CASH FLOW FROM FINANCING ACTIVITIES		
1. + Proceeds received from taking out (financial) loans	23,500,275.00	16,042,500.89
2. - Payments made from redeeming bonds and (financial) loans	-6,566,401.00	-13,122,252.00
3. - Interest paid	-818,951.45	-1,512,866.13
4. - Dividends paid to shareholders of the parent company	-3,520,874.75	-2,957,527.65
5. = Cash flow from financing activities	12,594,047.80	-1,550,144.89
IV. CASH AND CASH EQUIVALENTS		
1. Net change in cash and cash equivalents	-2,204,484.53	-6,010,583.94
2. +/- Exchange-rate related change in cash and cash equivalents	354,968.39	-754,518.88
3. + Cash and cash equivalents - start of period	18,763,869.87	25,528,972.69
4. = Cash and cash equivalents - end of period	16,914,353.73	18,763,869.87

STEICO Notes to the consolidated financial statements as of 30 June 2019

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.

STEICO Notes to the consolidated financial statements as of 30 June 2019

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:

Closing rate on 30 June 2019:	4.24960
Average rate in H1 2019:	4.28397

The exchange rates for GBP/€ are:

Closing rate on 30 June 2019:	0.89655
Average rate in H1 2019:	0.87906

4. SUPERVISORY BOARD

STEICO's Supervisory Board comprises 4 members.

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

Prof. Dr. h. c. Heinrich Köster, Deputy Chairman of the Supervisory Board, President of the Technical University of Applied Sciences in Rosenheim

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.

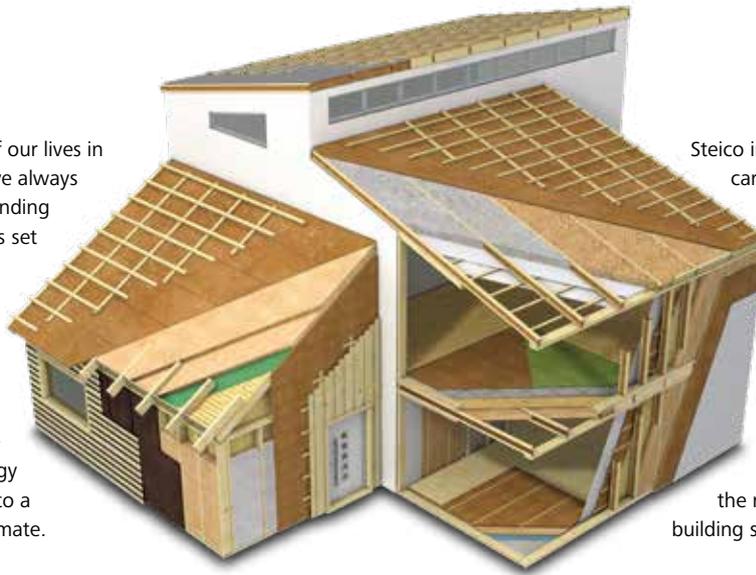
Mr. Milorad Rusmir, Kirchheim, Managing Director for wood wholesale

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

Half Year Report 2019

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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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