

STEICO SE
2019 Annual Report

Die grüne Aktie

2019

Record-breaking revenues and earnings

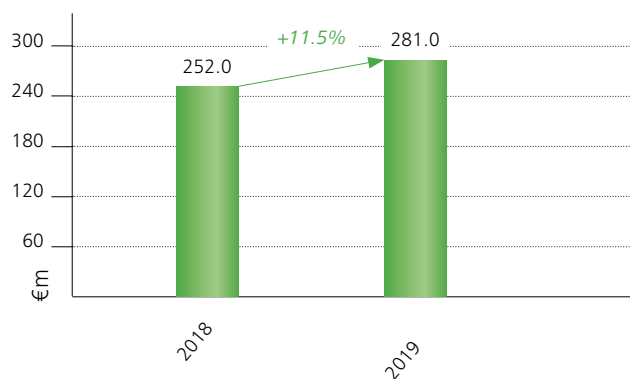
Natural building products for **healthier living**



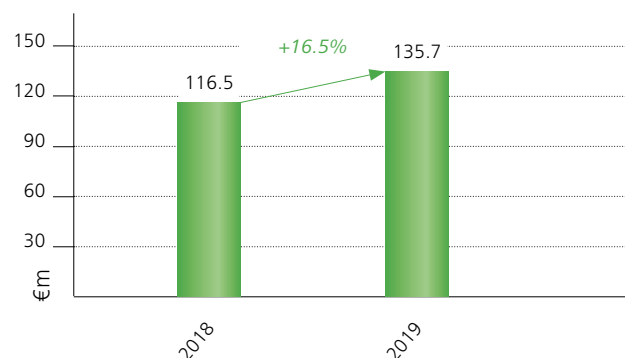
Overview

Record-breaking revenues and earnings

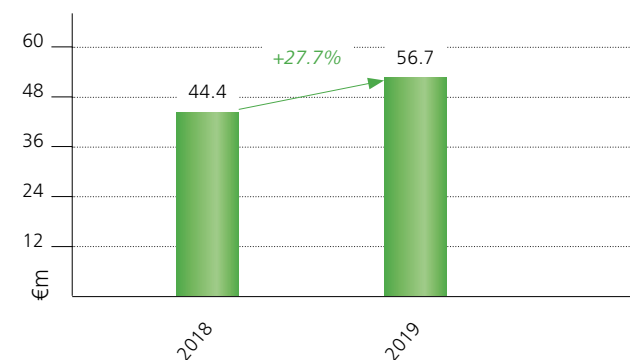
YoY Revenue growth in € millions



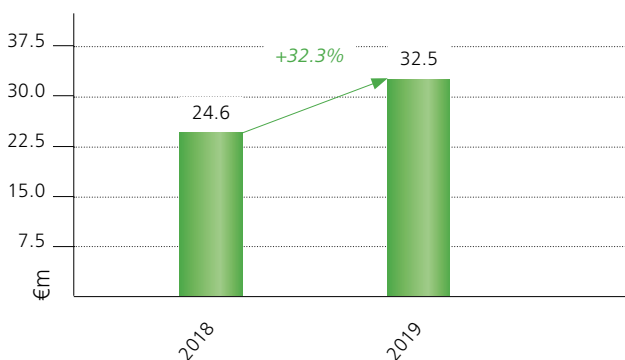
YoY Gross earnings growth in € millions



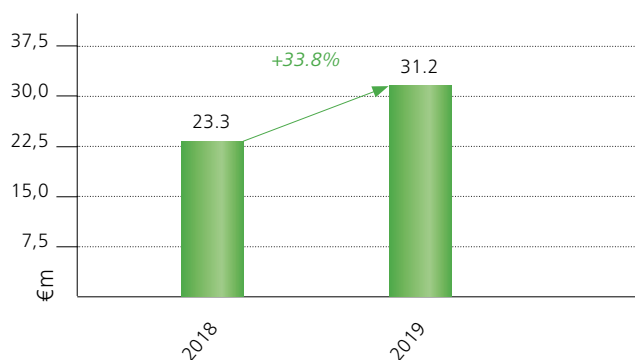
YoY EBITDA growth in € millions



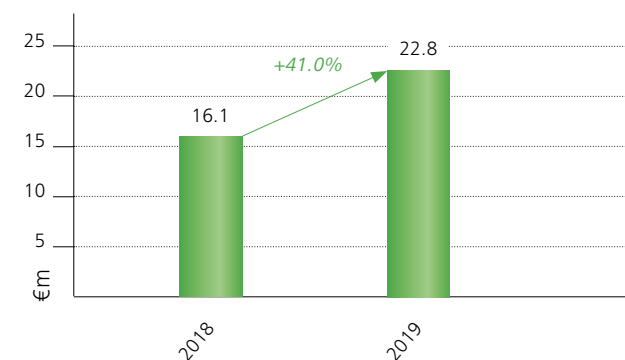
YoY EBIT growth in € millions



YoY EBT growth in € millions



YoY Profit for the period growth in € millions



ADDITIONAL KPIS

	2019	2018
1. Total operating revenue in € millions	287,8 Mio. €	254,1 Mio. €
2. EBITDA margin as a percentage of total operating revenue	19,7 %	17,5 %
3. EBIT margin as a percentage of total operating revenue	11,3 %	9,7 %
4. Equity ratio (as of 31 Dec.)	53,7 %	53,7 %

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

In 2019 the STEICO Group was able to continue its long-term success story and lifted its revenues by 11.5% to € 281.0 million. At the same time, STEICO has reported rising profitability for the fifth year in succession. EBITDA improved by an above-average 27.7% to € 56.7 million. This corresponds to an EBITDA margin of 19.7% (in relation to total operating revenue). EBIT lifted by 32.3% to € 32.5 million, the EBIT margin was thus 11.3%.

Growth was driven equally by ecological insulation materials and construction products, with I-joists in particular proving to be the driving force.

The Board of Directors is looking positively to the future, even though STEICO is facing demanding challenges as a result of the current corona crisis. Throughout Europe there is still a need for additional living space and the trend towards timber construction is continuing unabated. More and more public funding programmes are supporting this form of resource-saving and regional construction. In addition, the essential energetic renovation of existing buildings holds great potential.

For the year 2020 as a whole, management is continuing to forecast positive growth. Until the middle of the year, growth momentum is likely to be dampened - as in the first quarter - by the Covid-19 restrictions. Provided that the restrictions are then gradually lifted, management expects positive growth impetus in the second half of the year from catch-up effects. For 2020, the Board of Directors expects revenues and total operating revenues (TOR) to be between the previous year's level and plus 5% growth, with an EBIT ratio of between 7.5% and 8.5% (of TOR).

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.

Dear sirs,
dear shareholders,



Udo Schramek

CEO

our annual report for 2019 once again reflects our excellent business figures and allows us to look back on a year marked by strong growth.

We were not only able to increase sales by 11.5%, but at the same time we were able to record a clearly above average earnings growth. Our net profit for the year lifted by 41.0%. We are particularly pleased that the positive operating growth has also been reflected in our share price. Our share price rose to a high of € 30.70 in December 2019, an increase by 59.9% compared with the beginning of the year.

STEICO is very well positioned as a company. We occupy a unique position on the market with our innovative construction and insulation systems. We are an ecological pioneer and are excellently positioned in the climate debate. And with our healthy living products, we meet the desires of building owners for new construction and renovation.

We have thus taken a positive view of 2020 - and we still do. Of course, the Corona-virus crisis is currently preoccupying us and we are doing everything we can to protect our employees and adapt production and sales to the changed conditions. We are also experiencing difficulties in supplying individual markets. But we also see the continuing trend towards timber construction. More and more funding programmes are supporting this form of resource-saving and regional construction.

The demand for housing will remain, even though forms of housing may change in the future. In addition, the essential energetic renovation of existing buildings holds huge potential. Thanks to its ecological construction and insulation solutions, the STEICO Group is excellently equipped to meet this potential.

The first quarter of 2020 shows a very solid growth despite the prevailing limitations. Construction activity on the core markets of Germany, Switzerland and Austria is largely stable. Markets such as Italy, France, Great Britain, but also Australia, will probably return in the second half of the year albeit with restrictions. STEICO has well-filled warehouses to ensure that our customers are reliably supplied with goods at all times.

We are working hard to continue our on-track growth. My special thanks go to the STEICO team, in which each individual contributes to our overall success thanks to their daily commitment. Many thanks also go to our shareholders, many of whom have accompanied us for years and remain loyal to the company even in turbulent times.

Yours sincerely,

A handwritten signature in green ink, consisting of a large, stylized 'U' followed by a horizontal line and a small flourish at the end.

Udo Schramek

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Report by the Supervisory Board

Dear business partners,
dear shareholders,

The STEICO Group was again able to continue its on-track growth in 2019. Revenues lifted by 11.5% and this was accompanied by a disproportionately high increase in earnings, causing net income for the year to grow by 41.0%.

2019 was marked by the climate debate. STEICO is excellently positioned as an ecological pioneer in this regard. Our wood fibre insulation materials minimise the energy requirements of buildings and thus avoid CO₂ emissions to a large extent. And there is more: Thanks to the carbon stored in wood, STEICO products make an active contribution to greater climate protection. At the same time, we have made great efforts to implement the concept of sustainability in our production plants. In 2019, we installed the fifth biomass boiler and are now able to produce without the use of coal during regular operation.

The continuing trend towards more timber construction continues to be driven by innovative product developments. STEICO significantly expanded its portfolio in 2019. New offerings such as ceiling elements made of Laminated Veneer Lumber or the creation of the "element production" division not only strengthen our position in the market, but also increase our depth of value added. We therefore continue to take a positive view of the future.

Of course, STEICO is currently also feeling the effects of the Corona-virus crisis. However, the Supervisory Board firmly convinced that this crisis will be overcome and that STEICO will be able to continue its on-track growth. People need living space, wood is an ecological building material, and more funding programmes are supporting this form of resource-saving and regional construction.

Our special thanks go to the STEICO team, in which each individual contributes to our overall success thanks to their daily commitment. Many thanks also go to our shareholders, many of whom have accompanied us for years and remain loyal to the company even in turbulent times.

1. MANAGEMENT AND MONITORING BY THE SUPERVISORY BOARD

In 2019 the Supervisory Board fully performed all of its tasks and obligations required by the law and the articles of association. It defined the fundamental principles of its activities and monitored their implementation. The Supervisory Board was included directly in all decisions which were of fundamental importance for the company. To the extent that approval by the Supervisory Board was required

for decisions or activities by the company's management according to the law, the articles of association or the by-laws, the corresponding resolutions were only passed after these issues had been discussed in detail with the managing directors.

The managing directors reported regularly, in good time and in detail to the Supervisory Board according to Section 40 (6) of the SEAG in connection with Section 90 of the AktG on the course of business and the general position of the company and the group and their profitability. In addition, in-depth discussions were held in particular concerning business policy and the company's strategic further development. The Supervisory Board was also informed about the risk position and risk management.

The managing directors regularly submitted an in-depth report on the course of business, including the growth of revenues, earnings and liquidity, and also on the position of the company and the group companies. The reports were available for each member of the Supervisory Board and were discussed in joint meetings. Differences in the course of business were discussed in detail. The managing directors provided additional information at the Supervisory Board's request. The Supervisory Board was also consulted on special transactions which were of major importance for the company. In addition, the Chairman of the Supervisory Board was in regular contact with the managing directors and received regular reports on the company's growth and he reported to the Supervisory Board on the information obtained.

The discussion of sustainability aspects is becoming increasingly important in the Board of Directors' tasks. This thematic focus is reflected in our sustainability report. It also serves as an incentive for us to improve year after year in the relevant areas.

2. KEY AREAS OF DISCUSSION IN THE SUPERVISORY BOARD

In fiscal year 2019 the Supervisory Board held five face-to-face meetings and in three cases it passed a resolution outside of a meeting. The attendance rate for meetings of the Supervisory Board was 100%. The managing directors participated in the Supervisory Board meetings to the extent not otherwise determined by the Chairman of the Supervisory Board.

At the first meeting of the financial year on 13 March 2019, the Supervisory Board focused in particular on the need to expand production capacity and authorized the Board of Directors to acquire equipment for the production of stable wood fiber insulation materials using the dry process as well as wood fibers for air injected insulation at the Casteljaloux site. In addition the subject of members of the Supervisory Board was discussed after the 2019 General Meeting.

In its meeting on 30 April 2019 the Supervisory Board dealt, in particular, with STEICO SE's annual financial statements, the dependent companies report and the consolidated financial statements as of 31 December 2018 as well as the respective management reports. This meeting also dealt with the report of the Supervisory Board for fiscal year 2018. In addition the proposed resolutions for the company's ordinary general meeting on 27 June 2019 were passed.

In its meeting on 27 June 2019 the Supervisory Board confirmed Mr. Udo Schramek's position as the Chairman of the Supervisory Board. In addition, due to the resignation of Mr. Uto Baader, the Deputy Chairman of the Supervisory Boards was newly elected. The Supervisory Board unanimously elected Prof. Heinrich Köster as Deputy Chairman of the Supervisory Board.

In its meeting on 19 September 2019, the Supervisory Board discussed, among other things, restructuring of the Group's financing and approved the conclusion of a new syndicated loan agreement. In addition, the Supervisory Boards decided to extend the appointment of Executive Directors Udo Schramek, Dr David Meyer and Uwe Lange until 31 December 2024 and the appointment of Milorad Rusmir until 31 March 2023.

The last meeting on 11 December 2019 dealt with issues including an in-depth discussion of the risk management report by the managing directors, which forms part of the early warning system set up according to Section 22 (3) of

the SEAG. In so doing, the Supervisory Board confirmed that risks which could endanger the company's continued existence can be recognised at an early stage, however that there were no such risks. Furthermore, it was decided to relocate and expand the production of wood-fibre insulation at the Czarnków site.

Resolutions outside of face-to-face meetings were passed on the conclusion of a loan agreement for a bridging loan in connection with the restructuring of the Group's financing and the appointment of Mr. Thorsten Leicht as Managing Director for the Production division with effect from 1 January 2020 and Mr. Tobias Schindler as Managing Director for the Sales division with effect from 1 April 2020.

3. AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the managing report as well as the consolidated financial statements and group management report as of 31 December were prepared by the managing directors according the regulations of the Handelsgesetzbuch (HGB - German Commercial Code). The firm of auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements and management report of the company as well as the consolidated financial statements and group management report, discussed this in the audit reports and issued both the annual financial statements as well as the consolidated financial statements with an unqualified auditor's opinion. Performance of the audit and the audit reports correspond to the statutory requirements in Sections 317, 321 of the HGB. The company's annual financial statements and management report and the group's consolidated financial statements and group management report as well as the proposal by the managing directors for the use of the profits and the auditors reports by the auditors were passed on to the Supervisory Board in good time. The auditors participated in the meeting to discuss the financial statements and responded extensively to questions and reported in detail on the course and results of the audit of the annual financial statements and consolidated financial statements.

The Supervisory Board reviewed the annual financial statements, the consolidated financial statements and the associated management reports. As there were no objections, the board concurred with the results of the audit by the auditors and approved the annual financial statements

Report by the Supervisory Board

and consolidated financial statements. The annual financial statements were thus adopted. The Supervisory Board also approved the management reports.

The Supervisory Board reviewed the proposal for the appropriation of profits while considering the company's financial position and the expectations of shareholders and the capital market, and discussed this with the managing directors. It then concurred with the managing directors' proposals for the appropriation of profits.

4. STAFF CHANGES

Mr Uto Baader left the Board of Directors at the end of the 2019 Annual General Meeting. The Supervisory Board thanks Mr Baader for his many years of commitment and expertise, which have made a valuable contribution to the development of the company. The Annual General Meeting elected Prof. Heinrich Köster as a new member of the Supervisory Board.

Holger Jödecke and Heiko Seibert resigned from the Board of Directors on 31 December 2019. There were no other staff changes to the Supervisory Board or the managing directors in the year under review.

5. AFFILIATED COMPANIES REPORT

The managing directors prepared the report on affiliated companies (dependent parties report) for fiscal year 2019. Accordingly, the company received reasonable compensation in each case for the transactions presented with affiliated companies.

The dependent parties report was audited by the auditor and issued with the following unqualified auditor's opinion:

"After our proper audit and assessment we confirm that

1. The facts in the report are correct and
2. The company's payments for the transactions listed in the report were not unreasonably high."

Both the dependent parties report and also the audit report were received by the Supervisory Board in good time. As a result of its own review the Supervisory Board concurred with the auditor's opinion and approved the dependent parties report.

Feldkirchen, 24 April 2020



Udo Schramek
Chairman of STEICO SE's Supervisory Board

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 (Xetra closing price). The following day, the lowest point of 2019 was marked at € 19.12. In the days that followed, however, the share price jumped and was already quoted at € 23.45 on 17 January.

Through to the fourth quarter, the share performed unevenly before a rapid share price rise was recorded from the end of November onwards. STEICO's shares peaked for the year at a price of € 30.70 in Xetra trading on 5 December. This corresponds to an increase in value of 59.9% since the start of the year.

STEICO's shares closed at a price of € 27.40 in Xetra trading on 30 December. This corresponds to a share price increase of 42.7% over the year as a whole.

STEICO shares: development 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 was also in close contact with its shareholders. In 2019, 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 22. ODDO Forum (ODDO BHF) in Lyon (FR)
14 January 2019	STEICO presented the company at the 3rd. STEICO Capital Markets Day
04 February 2019	Release of preliminary figures for the financial year 2018
06 February 2019	STEICO presented the company at HSBC ESG Conference (Frankfurt/Main)
19/20 February 2019	STEICO presented the company at "13th German Conference" from ODDO BHF (Frankfurt/Main)
01 May 2019	Release of Annual Report 2018 and Q1 Report 2019
27 June 2019	Date of STEICO's General Annual Meeting
28 June 2019	STEICO presented the company to institutional investors at Warburg Highlights 2019 Conference (Hamburg)
15 July 2019	Release of STEICO's Half Year Report 2019
28 August 2019	STEICO presented the company to institutional investors at Commerzbank Sector Conference (Frankfurt/Main)
11 September 2019	STEICO presented the company at MBank European Top Pick Event (Warsaw)
25 September 2019	STEICO presented the company to institutional investors at Berenberg/Goldman Sachs German Conference (Munich)
01 October 2019	STEICO presented the company to institutional investors in Paris (Roadshow with Commerzbank)
02 October 2019	STEICO presented the company to institutional investors in London (Roadshow with Warburg)
16 October 2019	Release of Q3 report
17 October 2019	STEICO presented the company to institutional investors at "Fachkonferenz Technologie" of Bayerische Börse AG (Munich)

A. INTRODUCTION

STEICO has always lived sustainability. This Sustainability Report, aims to provide transparent explanations of our business. We laid the foundations for regular reporting with publication of our first sustainability report for 2018. The many positive responses we have received have prompted us to further develop and restructure our sustainability report.

STEICO's Sustainability Report 2019 is the first report to be based on the Global Reporting Initiative (GRI) standards. The basis of reporting in accordance with GRI is transparency, and its goal is standardisation and comparability. Accordingly, the present report is structured differently than in the previous year and offers even more clarity and information.

I. GRI 102: GENERAL INFORMATION

1. ORGANISATION

102 General information

102-1 Name of the organization

STEICO

102-2 Activities, brands, products and services

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

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.

For further information see the STEICO 2019 annual report (Group management report A.I.2. The STEICO Group's products and services)

102-3 Location of headquarters

See the STEICO 2019 annual report (Notes to the consolidated financial statements I.1. Legal foundations)

102-4 Location of operations

See the STEICO 2019 annual report (Notes to the consolidated financial statements III.10. Parent company and group companies)

102-5 Ownership and legal form

The Group's parent company is a European public limited company (STEICO SE). 61.1% of the shares are held by Schramek GmbH and can be attributed to the company founder and chairman of the board of directors / CEO Mr. Udo Schramek. 38.9% of the shares are in free float and are traded over the counter.

102-6 Markets served

See the STEICO 2019 annual report (Group management report A.I.4. Sales and customers)

102-7 Scale of the organization

See STEICO's consolidated financial statements, included in the 2019 annual report.

102-8 Information on employees and other workers

As of 31 December 2019 (record date) the STEICO Group had 1,872 employees

	Germany	Poland	France	United Kingdom
Total	140	1560	77	12
Full time	109	1556	73	11
Part time	31	4	4	1
Permanent employees	140	1280	75	12
Temporary employees	0	280	2	0
Men	89	1240	59	8
Full time	87	1237	57	8
Part time	2	3	2	0
Permanent employees	89	1044	59	8
Temporary employees	0	196	0	0

	Germany	Poland	France	United Kingdom
Women	51	320	18	4
Full time	22	319	16	3
Part time	29	1	2	1
Permanent employees	51	236	17	4
Temporary employees	0	84	1	0

102-9 Supply chain

See STEICO 2019 annual report (Group management report A.1.3 Procurement).

102-10 Significant changes in the organisation and its supply chain

No significant changes occurred in the reporting period.

102-11 Precautionary approach or principle

The STEICO Group's actions today are economically, ecologically and socially responsible, and thus also form the basis for future growth. We understand sustainability as being a precautionary principle within the framework of an appropriate balance between economic success, ecological action and social responsibility, taking into account the needs of present and future generations.

This is reflected, among other things, by the purchase of sustainable raw materials (FSC and PEFC certification of the wood used), the use of biomass for the generation of process heat and steam and certification in accordance with the standards DIN EN ISO 9001:2015 and 14001:2015 (quality and environmental management system).

102-13 Membership of associations

Among others, the STEICO Group is a member of:

Germany

- VDNR: Verband Dämmstoffe aus nachwachsenden Rohstoffen (Association for insulation materials from renewable resources)
- Forum Holzbau (Forum for timber construction)
- Holzbau Deutschland, Bund deutscher Zimmermeister (Association of German carpenters)
- EPF: European Panel Federation
- DHV: Deutscher Holzfertigbau-Verband (German timber prefabrication association)
- IBU: Institut Bauen und Umwelt e.V. (Institution for construction and the environment)

- DGNB: Deutsche Gesellschaft für nachhaltiges Bauen (German society for sustainable construction)

France

- AICB: Association des Industriels de la Construction Biosourcée (Industry association for construction with renewable resources)
- UICB: Union Industriels Constructeurs Bois (Industrial association for timber construction)
- Afcobois (Trade union for timber construction)
- BAB: Bâtiments Agricoles Bois (Timber-constructed agricultural buildings)
- Apiboi: Trade union for I-joint companies
- Fédération de la maison passive (Passive house association)
- FFB - Fédération Française du Bâtiment (French federation for buildings)
- Capeb - Confédération de l'Artisanat et des Petites Entreprises du Bâtiment (Trade union for construction craftsmen)
- FBC – Forum Bois Construction (Forum for timber construction)

United Kingdom

- Timber Trade Federation
- Trada: Timber Research and Development Association
- Structural Timber Association
- ASBP: Alliance for Sustainable Building Products
- Natural Fibre Insulation Group

2. STRATEGY

102-14 Statement from the senior decision-maker

STEICO sees itself as an innovative, ecological and social company. This claim, which is also a statement from the highest decision-makers on the Supervisory Board and Board of Directors, can be summarized with "sustainable" as a core statement.

Our actions for our customers:

- Cooperation with our customers is characterized by fairness and respect
- Our products and services are innovative, economical, easy to use and offer added value for our customers

Sustainability report

- We build relationships using system solutions and intensive dialogue
- We assume responsibility within our markets and contribute to the positive growth of the market and industry

Our actions for the company:

- We make a significant contribution to optimising buildings' energy consumption and thus to climate protection
- By using wood as a renewable raw material, we make an important contribution to preserving natural resources
- STEICO products contribute to the extensive binding of CO₂ and thus help to limit global warming
- We contribute to helping society avoid carbon by specifically avoiding the use of fossil fuels

Our actions for our employees:

- We see the commitment and expertise of STEICO's employees as a central pillar for long-term success
- We maintain a constructive, respectful cooperation
- We offer progressive working conditions, promote the development of our employees and are committed to combating inequality

Our actions are sustainable and geared to the long term - characterized by the balance between economic success, ecological action and social responsibility.

102-15 Key impacts, risks and opportunities

See STEICO Annual Report 2019, (Group Management Report C. Risks, Chances, Forecast)

3. ETHICS AND INTEGRITY

102-16 Values, principles, standards and norms of behavior

Our actions are characterized by honesty, respect, fairness and entrepreneurship. The interplay between these values forms the cornerstones of our corporate culture

4. CORPORATE MANAGEMENT

102-18 Governance structure

See STEICO SE'S articles of incorporation (Sections III and IV)

102-20 Executive-level responsibility for economic, environmental and social topics

The CEO, Udo Schramek is responsible for economic, ecological and social issues

102-22 Composition of the highest governance body and its committees

STEICO 2019 annual report (Notes to the consolidated financial statements V.7. Supervisory Board)

102-23 Chair of the highest governance body

STEICO 2019 annual report (Notes to the consolidated financial statements V.7. Supervisory Board)

102-30 Effectiveness of risk management procedures

See STEICO annual report (Report by the Supervisory Board)

102-31 Review of economic, environmental and social topics

STEICO 2019 annual report (Report by the Supervisory Board)

102-32 Role of highest governance body in sustainability reporting

STEICO 2019 annual report (Report by the Supervisory Board)

102-33 Communicating critical concerns

STEICO SE has appointed a compliance officer and also created the option of submitting concerns anonymously. If necessary, the compliance officer brings critical concerns to the attention of the Supervisory Board

102-35 Remuneration policies

STEICO 2019 annual report (Notes to the consolidated financial statements V.7. Supervisory Board)

5. INCLUSION OF STAKEHOLDERS

102-40 List of stakeholder groups

The STEICO Group endeavors to take the interests of key stakeholders into account in all areas of day-to-day activities. These include:

- Customers
- Employees
- Investors (e.g. banks, shareholders)

- Economic and industry organisations
- Public institutions at local, regional and national level
- Suppliers (e.g. for wood procurement)
- Consumer and shareholder protection organisation
- Environmental protection organisations

102-41 Collective bargainings agreements

94% of all employees in the STEICO Group are covered by collective agreements.

6. REPORTING PROCEDURE

102-45 Entities included in the consolidated financial statements

STEICO 2019 annual report (Notes to the consolidated financial statements V.10. Group of consolidated companies)

102-49 Changes in reporting

The Sustainability Report 2019 is based on the GRI standard for the first time.

102-50 Reporting period

The reporting period covers the calendar year 2019.

102-51 Date of most recent report

The last report is dated April 2019.

102-52 Reporting cycle

STEICO's sustainability report is updated annually. This reporting cycle may be changed in future.

102-53 Contact point for questions regarding the report

Sustainability@steico.com

102-54 Claims of reporting in accordance with the GRI standards

This report was prepared in accordance with the "Core" option of the GRI standards.

102-56 External assurance

No external audit of this report was performed.

II. GRI 103: MANAGEMENT APPROACH

The STEICO Group meets market challenges with a strategy of innovation and growth. The aim is to offer customers innovative timber construction products and systems with an increasing range of products and vertical integration. The high capacity utilization of the production facilities that accompanies this growth leads to economies of scale and improved profitability, which in turn strengthens STEICO's competitive position.

In recent years the focus has been on the development of innovative design products, however the growth strategy for the future will be determined by the expansion of the system concept and serial element production.

III. GRI 200: ECONOMIC

GRI 201 Economic output

The STEICO Group has recorded steady growth in recent years. Acting sustainably and while being aware of values is a key part of our success.

- Larger production sites can be operated more efficiently. The energy used decreases in relation to the output quantity.
- Growth enables investments in energy-efficient production facilities.
- Larger companies that demand certified timber are strengthening efforts towards sustainable forest management.
- STEICO insulation materials are environmentally friendly in and of themselves, as they save considerably more energy during their product life than is required for their manufacture. That is why growth in this area does not lead to an increasing burden on the climate.
- Growth creates jobs. With an average of 1,864 employees, the STEICO Group employed 179 more people in 2019 than in 2018 (1,627 employees).

201-1 Direct economic value generated and distributed

See STEICO's consolidated financial statements, included in the 2019 annual report.

201-2 Financial implications of climate change for the organisation and other risks and opportunities associated with climate change

Opportunities

The global political course is consistently aimed at decarbonising the economy and society in order to counteract further global warming by reducing greenhouse gas emissions. As a manufacturer of insulating materials and structural components made of wood, this presents the STEICO Group with the following opportunities.

- Wood itself acts as a CO₂ storage medium, and this also applies to products made from wood. The stored carbon remains bound during the entire life of the products and is removed from the atmosphere during this time. Wood products for the construction sector are expected to have a particularly long useful life, which is assumed to be between 80 and 100 years for detached houses.
- The manufacture of timber building products is significantly more resource-efficient than many mineral building products such as concrete. As a renewable raw material from sustainable forestry, wood and wood products also help to combat the scarcity of resources.
- Wood fibre insulation materials make a significant contribution to increasing the energy efficiency of buildings. This allows far-reaching and lasting energy savings to be achieved, both in winter (reduction of heating energy) and in summer (reduction of cooling energy).

The above-mentioned points should also lead to sustained high demand for STEICO products in future. The probability of this happening is considered high.

Risks

Global warming and the associated extreme weather events (heat waves, drought, storms, etc.) pose challenges for the forest ecosystem in many regions. A number of coniferous tree species traditionally used to produce timber for construction are considered vulnerable to such rapid climatic changes. This could lead to a reduced availability of wood as a raw material in the future.

A warm, dry climate has always dominated in Poland and in Southern France (STEICO's plants' locations). The forests there are much more robust in terms of climate change than in other regions of Europe. As a result, the STEICO Group believes that the probability of a shortage of raw materials is low.

201-4 Financial support from the public sector

STEICO's production facilities in Poland have been incorporated into special economic zones. STEICO is exempt from Polish income tax until 2024 at its Czarna Woda site and until 2028 at its Czarnków site.

202 Market presence

202-1 Minimum wage

The STEICO Group complies with all local statutory requirements for the payment of minimum wages. The majority of employees are paid above the legal minimum wage.

204 Procurement practices

204-1 Percentage of spending on local suppliers

The STEICO Group procures the wood for manufacturing its products locally within a radius of up to approx. 150 km of the production plants in Poland and France

205 Combatting corruption

Integrity and fairness in business transactions are the cornerstones of STEICO's corporate culture. STEICO pursues a strict zero-corruption policy and has created structures and rules throughout the group to prevent corruption. This includes staff training and controls as well as the creation of special structures, e.g. for the award of contracts. A compliance officer has been appointed to whom violations of corruption rules can be reported.

206 Anti-competitive behaviour

There are no known cases of anticompetitive conducts or violations against competition law in the STEICO Group.

IV. GRI 300: ECOLOGY

The most important raw material for STEICO products is fresh, untreated softwood. STEICO does not use any waste or recycled wood as this could be contaminated with chemicals.

STEICO's production plants are located in wooded areas, so that we can keep transport distances short, usually less than 150 km. For our wood fibre insulating materials and Natural Fiber Boards (hard fibre boards) we do not need special wood qualities, because the wood is defibered in production. This so-called low-quality timber accumulates for example during forest maintenance and is not suitable for processing in sawmills.

Various log diameters are used for the production of laminated veneer lumber, and the logs are mainly delivered in short lengths. This provides the forestry offices with an optimal opportunity to supply the highest quality timber that is produced.

1. ENVIRONMENTALLY FRIENDLY INSULATION MATERIALS

Insulation materials play a key role in determining a building's energy efficiency. Due to their insulating effect, they significantly reduce the amount of heating energy required. STEICO wood fibre insulation materials and cellulose insulation are characterised by particularly low thermal conductivity. The lower the thermal conductivity, the better the insulating effect. The thermal conductivity is given as the so-called Lambda value (λ). With λ_D 0.036, the flexible wood fibre insulation mat STEICO*flex* has the lowest thermal conductivity of natural insulating materials. With λ_D 0.037 the facade insulation board STEICO *protect 037* has the lowest thermal conductivity for stable wood fibre insulation boards. The cellulose insulation STEICO*floc* with λ_D 0.038 also offers one of the best values in its category.

As part of the STEICO construction system, the main STEICO insulating materials are certified as components suitable for passive houses. This means that they are suitable for use in buildings which, due to their high energy efficiency, can cover their heating requirements without traditional heating.

The STEICO Group currently produces about 2.7 million m³ ecological insulating materials. Assuming a quantity of about 75 m³ of insulating material required for state-of-the-art insulation for a single-family house in timber construction, more than 36,000 single-family houses can be insulated per year. 75m³ wood fibre insulation permanently stores 28 tons of CO₂. According to the German Federal office for Environment (Umweltbundesamt), the average annual CO₂ emissions per person are 11,6 tons. Thanks to the carbon stored in its insulation, a house owner can offset his carbon footprint for over two years. Moreover, the energy saved thanks to the insulation also reduces his CO₂ emissions, the quantities depending on the house. STEICO is thus making a contribution to the energy revolution and to a climate-neutral building stock.

2. I-JOISTS

STEICO's I-joists have the shape (geometry) of an H beam or a double T beam. In contrast to a solid wood beam with a rectangular shape, the middle section of the I-joist is much slimmer, and it is thus made with comparatively little material. This saving in solid material is filled with

insulating material in timber frame construction. In a roof construction, for example, this shifts the ratio between the proportion of insulating material and the proportion of supporting structure in favour of the insulating material. A higher proportion of insulating material in turn means a higher energy efficiency of the entire component. By using STEICO I-joists, the energy efficiency of a component can be improved by up to 15% (compared to the use of solid wood cross sections).

In this way, I-joists have special significance in low-energy and passive houses and contribute to avoiding heating energy in these buildings.

3. LAMINATED VENEER LUMBER

Laminated veneer lumber is an industrially produced wood-based material with a particularly high load-bearing capacity. The use of energy in its production is offset by the particularly efficient use of wood as a raw material. When producing laminated veneer lumber, formats can be produced that cannot be reproduced by naturally grown wood (boards up to 2.5m wide, 90mm thick and 18m long). In addition, the high strength of laminated veneer lumber allows a particularly slender design of the load-bearing structures, which means that construction can be carried out with less material overall.

301 Materials

301-1 Materials used, by weight or volume

Use of fresh wood

Only untreated softwood is used to produce STEICO insulation and construction materials. The volume of wood processed during the reporting period was 1,023,026 m³.

Material requirements for laminated veneer lumber

Approximately 2.3m³ of roundwood is required for the production of 1m³ laminated veneer lumber. The round wood is peeled into veneers, from which the laminated veneer boards are made. During the processing of round wood, around 0.6m³ of bark and non-recyclable wood components are produced. These are used to produce steam and heat in the biomass boiler. Since not every veneer ribbon is suitable for the production of laminated veneer lumber, 0.5m³ of unusable veneer is produced, which can, however, be further processed into wood fibre insulation materials at the same location. The trunk's core cannot be peeled into veneer for technical production reasons. A round core of 0.2m³ remains. This residual

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wood is sawn into strips on our own plant, and used to make STEICO transport pallets.

In this way, STEICO ensures 100% use of its wood resources. At the same time, the energy from the by-products can be used to cover the energy requirements of the Czarna Woda production site to such an extent that regular operation on a biomass basis will be possible from July 2020. Coal will only be kept as a reserve energy source.

301-2 Recycled input materials used

For the cellulose insulating material STEICO*floc*, STEICO obtains defined waste paper qualities which are converted into insulating flakes. Since most of the energy consumed is already used in the production of the paper, the production of cellulose insulation material is particularly environmentally friendly. During the reporting period, 7,335 tonnes of waste paper were used for the production of blow-in insulation.

301-3 Reclaimed products and their packaging materials

Recycling of production residues

Wood components that are unsuitable for production, e.g. the bark, are used to generate energy in the plant's own biomass boilers. Products that are outside the specifications can be returned to the production process. Otherwise, they can also be used to generate energy in the biomass boilers.

Recycling of scrap material

Scrap material arising during the production process, such as faulty production, cuttings, milling and grinding chips, etc. is fed back into the production process.

This allows STEICO to use 100% of its wood resources. No packaging materials are produced during these processes.

302 Energy

Like every manufacturing company, STEICO needs energy in its production. As the energy consumption in the production plants is considerably higher than at the sales and administration locations, the focus is on the production locations. Electricity as well as heat and steam are required in particular for the production of STEICO products. STEICO relies on large, integrated locations that enable high production efficiency. For example, several production plants can be supplied with heat and steam via a few central boiler plants. To avoid heat loss, the pipes are insulated. Waste heat is used to heat the administrative buildings. In this way we ensure that the heat generated is used as efficiently as possible.

STEICO maintains appropriate boiler systems to generate heat and steam. These can be operated with biomass and/

or gas and coal. Since the beginning of 2020, biomass has been used for the regular operation of production, while fossil energy sources are only used as reserve energy sources. Production residues are mostly used as energy sources for the biomass boilers, and only a small percentage is bought in. At least one biomass boiler is currently in operation at each site.

Electricity is purchased at the respective locations and its production corresponds to the national electricity mix of the country of production. At the Czarnków site, we are currently installing an additional electric turbine on a biomass boiler, which will enable us to generate some of the electricity we need ourselves in future.

STEICO is constantly working on reducing energy consumption. STEICO is taking a two-pronged approach in this regard:

- Use of regenerative energy sources such as biomass, use of fossil fuels only for peak load coverage or to bridge maintenance periods
- Increasing energy efficiency by optimising processes

302-1 Energy consumption within the organisation

In the energy mix, most of the energy is used to generate heat and steam.

STEICO Group: Energy consumption and changes

Energy source [MWh]	2017 Share [%]	2018 Share [%]	2019 Share [%]	Change 2017 to 2019 [%]
Electricity	16 %	16 %	16 %	+13%
Coal	52 %	40 %	36 %	-21%
Gas	7 %	7 %	8 %	+39%
Biomass	25 %	36 %	40 %	+84%

In comparison to 2017, 2019 was a year in which the STEICO Group was able to **reduce energy generation from coal by 21%**. At the same time, energy production from **biomass was increased by 84%**.

In addition to the increased use of biomass, **energy efficiency was increased by 7%**.

302-3 Energy intensity

Energy intensity is the energy efficiency related to the finished product. We reduced energy intensity by 7% between 2017 and 2019.

302-4 Reduction of energy consumption

Reduction of electricity consumption

Numerous investments were made in the Polish plants during the reporting period to reduce the amount of electricity

required. Among other things, numerous electric motors and pumps have been replaced by more energy-efficient models and the lighting in the production halls is gradually being converted to an LED system.

Biomass from production waste

In order to reduce the need for biomass, a pelleting plant was installed at the Czarna Woda site during the reporting period. This will be used to turn waste wood from LVL production into pellets. This will allow us to use biomass even more efficiently.

Abandonment of fossil energy sources

At the Polish sites, where more than 90% of value added is generated, extensive investments were made in 2019 to switch from coal to biomass. Since the beginning of 2020, biomass has been used as an energy source for standard production. Coal is to be used only as a reserve energy source. The Casteljaloux site has always completely dispensed with the use of coal, using only biomass and gas.

Energy consumption in administration

In the administration area, STEICO is also making extensive investments to reduce energy consumption. The headquarters in Feldkirchen, for example, are built using STEICO's own construction system and are characterised by their high energy efficiency, which almost corresponds to the passive house standard. An additional building was added here in 2019. The integrated photovoltaic modules mean more energy is generated over the year than the building needs (so-called plus-energy house).

302-5 Reductions in energy requirements of products and services

During the period under review, it was possible to save steam, heat and electricity by exploiting optimisation potential in the timber defibration and other processes in production, so that the energy requirement per product has fallen.

303 Water and sewage

Water is a valuable commodity that is needed for our production. At STEICO, we therefore strive to make the best possible use of water as a resource, to avoid waste water and to reduce water consumption. Investments are being on an ongoing basis to close the water cycles and treat unavoidable wastewater in the best possible way.

303-1 Water as a shared resource

STEICO is working on closing the water cycles at all of its production sites.

Closed water cycles have already been established at STEICO's Polish plants. At the Czarna Woda site, the water cycle was closed in 2019. In the first step, fresh water is used for the production of steam and heat, which are fed directly into the production process. The resulting industrial water is then used to produce wood fibre insulation materials. Some of the water evaporates during the drying process and is replenished with industrial water from steam and heat production, so that all the water that we obtain for our production is reused several times and fed back into production again and again.

The plants in Czarna Woda and Casteljaloux also recycle a large part of the water used in production.

303-3 Water withdrawal

STEICO has official approval to extract water from the rivers adjacent to the plants at its production sites in Poland and France. Water for the administrative locations comes from the local supply networks, while rainwater is also used for flushing toilets at the Group headquarters.

303-4 Water return

In both Polish production sites, which account for more than 90% of the value added, closed water cycles in the production have been established. At the same time the efficiency of the resource water has been increased by 14% in relation to the production volume.

305 Emissions

By analysing the carbon footprint (CO₂), it is possible to identify potential for reductions, develop appropriate activities and define climate protection targets. The STEICO Group's corporate carbon footprint includes seven locations in four different countries. In Germany and the United Kingdom these are purely administrative locations, in Poland and France they include both administrative locations and plants. The emissions of the sales employees in the external sales force in all countries are also included in the calculation.

CO₂ storage wood

As wood grows, the climate-damaging gas carbon dioxide (CO₂) is extracted from the atmosphere. During photosynthesis, trees split CO₂ into carbon (C) and oxygen (O₂). Carbon is stored in the wood and oxygen is released into the atmosphere. One cubic metre (m³) of wood therefore contains around 1 tonne (t) of CO₂. This CO₂ also remains bound in processed wood

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products, e.g. in STEICO wood fibre insulating materials and construction products.

Assuming that around 100 m³ of wood is used for a single-family house built using timber construction, this corresponds to around 100 t CO₂ which is removed from the atmosphere (whereby the positive effects of wood fibre insulating materials on the reduction of heating energy have not yet been taken into account).

Particularly when wood is used as a building material, CO₂ is removed from the atmosphere for a particularly long time - namely during the entire service life of the building, e.g. around 60 to 100 years for single-family houses. Only at the end of the building's service life is the CO₂ released back into the atmosphere when the wood decomposes or is burned.

For example, the use of wood products in construction is not a panacea for the climate - but it is an essential contribution to gaining time for the climate-friendly transformation of our society.

In 2019, the STEICO Group processed around 1,023,026 m³ of fresh wood from sustainable forestry. This means that almost a million tons of CO₂ are stored and removed from the atmosphere in STEICO's annual production.

305-1 + 305-2 Direct greenhouse gas emissions (scope 1) and indirect energy-related greenhouse gas emissions (scope 2)

In 2019, STEICO's business activities caused a total of 563,881 tons of CO₂ emissions throughout the Group. Of this total, 386,762t are direct CO₂ emissions (scope 1) and 177,119 t of CO₂ are indirect emissions from grid-bound energy (scope 2).

The largest source of emissions is the energy source for the production of steam and heat for the production process (68.0%). The second largest item is emissions from electricity with 34.1%. Emissions from the vehicle fleet came in third place with 0.6%. 99.8% of the STEICO Group's emissions are generated in the plants, while the administrative locations are only responsible for a small proportion of the emissions.

The headquarters in Feldkirchen, for example, have been built using STEICO's own construction system and are characterised by their high energy efficiency, which almost corresponds to the passive house standard. The integrated photovoltaic modules and a heat pump for heating mean more energy is generated over the year than the building needs (so-called plus-energy house). There are no emissions.

2019: CO₂-emissions

	Emission source	t CO ₂	[%]
Scope 1	Heating energy	383,169 t	68.0 %
	vehicle fleet	3,593 t	0.6 %
Sub-total Scope1		386,762 t	68.6 %
Scope 2	Electricity	177,119 t	31.4 %
Total		563,881 t	

The calculation was based on the guidelines of the Greenhouse Gas Protocol.

Scope 1

Scope 1 shows all CO₂ emissions that can be controlled directly by the company drawing up the balance sheet (direct CO₂ emissions). This includes the combustion of fossil fuels (mobile and stationary), CO₂ emissions from chemical and physical processes and refrigerant leaks from air conditioning systems.

Scope 2

Scope 2 shows indirect CO₂ emissions caused by the combustion of fossil fuels during the production of electricity, heat, cooling and steam by external energy suppliers. Disclosing these in a separate category avoids double counting when comparing CO₂ emissions from different companies.

CO₂ emissions from production are offset by CO₂ storage in the wood used in STEICO products.

2019: Comparison of CO₂ emissions / CO₂ storage

CO ₂ emissions Scope 1+2	Wood used	CO ₂ storage in wood used	Positive difference
563,881 t	1,023,026 m ³	1,023,026 t	459,156 t
55 %		100%	45%

The wood used in annual production for STEICO products stores almost twice as much CO₂ as was released during manufacture. Positive effects of CO₂-avoidance through the use of STEICO insulating materials are not taken into account.

305-4 Intensity of greenhouse gas emissions

The intensity of the emissions in relation to the output of the production was 1.8t CO₂ per ton finished product in 2019. Compared to the previous year, this figure was reduced by 8%.

306 Waste

A central concern in STEICO's production processes is to keep the volume of waste as low as possible and to prevent waste from being generated in the first place. In order to additionally increase the recycling rate, the company will continue to switch to recyclable material, if this has not already been done.

Dealing with waste

Waste is treated in accordance with country-specific laws and regulations. All waste is separated according to type and is recycled if possible. STEICO itself does not process any waste; this is carried out by local specialist disposal companies. All Group companies are constantly working to increase the proportion of recyclable material.

Disposal according to waste code

STEICO also assumes responsibility with regard to the packaging materials for our products: From processing residues to materials arising during dismantling: STEICO wood fibre insulating materials, I-joists and laminated veneer lumber can be disposed of in the same way as untreated wood (waste code AVV/EAK 030105/170201). STEICO cellulose insulation can be disposed of in the same way as waste paper (waste code AVV/EAK 170604/170904).

Return of processing residues

A return system for processing residues and dismantling material will be put into operation in the second quarter of 2020. As a result, material produced by the processors can be fed into production as a secondary raw material. The model is initially to be applied in Germany.

Recycling of transport packaging

A certain amount of transport packaging is required in order to protect the goods as best as possible from transport damage. In Germany, STEICO offers its customers a collection service for packaging material used in cooperation with a national waste disposal company. A further starting point for reducing the volume of waste is the optimisation of transport packaging.

307 Environmental compliance

It goes without saying that STEICO complies with the respective applicable environmental protection laws and regulations at all of its operating sites, and in addition attempts to reduce the impact on the ecosystem as far as possible.

As a result, the STEICO Group has appointed an environmental officer at each production location who

is responsible for ensuring compliance with statutory environmental requirements and internal guidelines. The activities are pooled by the central Quality & Sustainability Management Department, which reports these to the Board of Directors.

FSC and PEFC certifications

In addition, STEICO is committed to further voluntary certifications. All of the wood that STEICO uses in production 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). This not only ensures that the forests are managed sustainably, but also that social standards are adhered to through certification.

STEICO does not use any wood of unclear origin or from protected forests and complies with all EUTR (EU Timber Regulation) rules.

All STEICO products (wood fibre insulating materials, cellulose insulating materials, I-joists, laminated veneer lumber) carry at least one of the certifications mentioned or are available according to both standards.

Environmental Product Declarations (EPD)

We prepare Environmental Product Declarations (EPDs) for our products to make the environmental impact of STEICO products traceable. The environmental product declaration provides information on quantified environmental impact along the product life cycle and allows comparisons between products with the same function.

The STEICO Group has EPDs for veneer laminated veneer lumber and the insulating material STEICOflex from French production. Further EPDs are in preparation and will be published in 2020.

Environmental management system DIN EN ISO 14001:2015

Since 2019, the environmental management system at the Polish sites has also been certified in accordance with DIN EN ISO 14001:2015. The environmental management system ensures the continuous monitoring of more than 300 environmental indicators and the analysis of process risks.

V. GRI 400: SOCIAL

401 Employment

The STEICO Group creates an attractive, fair working environment for its employees. These include fair pay, additional company benefits, flexible working hours models that are adapted to the employees' respective needs and individual offers that make it easier to reconcile work and private life.

Committed employees are a vital key factor for STEICO's economic success. That is why we are particularly concerned to keep our staff's motivation and health at a high level and to establish a strong bond with the company in order to secure its long-term success.

401-1 New employee hires and employee turnover

Staff turnover		
Country	2019 [%]	2018 [%]
Poland	13.7%	9.9%
Germany	10.1%	11.2%
France	5.1%	2.4%
United Kingdom	7.7%	0.0%

Experienced employees make a valuable contribution to the company's success. As a result, the STEICO Group endeavors to create working conditions that allow employees to enjoy long-term growth. This is reflected in a low fluctuation rate, which is well below the industry average in all countries.

401-2 Benefits provided to full-time employees only, but not to temporary or part-time employees

In our companies, full-time and part-time employees receive the same company benefits. The temporary staff employed by our companies (approx. 1% of the workforce) receive a large part of the company benefits.

401-3 Parental leave

The duration and scope of parental leave are adapted to employees' needs in line with legal requirements. To make it easier for women in particular to return to work after parental leave, the STEICO Group offers individual working time models that are tailored to the needs of the individual and take family requirements into account.

403 Occupational Health and Safety

Safety at work and employee health are particularly important to STEICO. Only healthy employees can reach their full potential. The company wants to fully meet its responsibility and duty of care towards its employees and

therefore focuses on systematic occupational health and safety.

403-1 Occupational health and safety management system

An occupational health and safety officer has been appointed at each of STEICO's location. This officer is responsible for ensuring that the statutory requirements and internal policies are complied with. Regular visits by the works doctor ensure a high level of health protection. Depending on the location, STEICO offers various occupational health and safety programs, e.g. first aid courses.

403-2 Hazard identification, risk assessment and incident investigation

Hazards and risks to health and safety at work are identified and countermeasures initiated by regular plant inspections, including by external and independent experts.

403-3 Occupational health services

All Group companies comply with local legal and occupational health regulations. Internal representatives have been appointed for this purpose, who are additionally supported by external partners. At the Group's headquarters, company medical services and a specialist for occupational safety are used for this purpose, among others.

Employees are regularly informed in general terms and, if necessary, individually about the possibility of using the services.

403-4 Worker participation, consultation and communication on occupational health and safety

STEICO is always open to suggestions from the workforce to enhance work safety and health protection at the respective workplace. STEICO has created structures for employee input and named contact persons for improving occupational safety. Communication channels have also been set up to provide employees with reliable information on occupational health and safety.

403-5 Worker training on occupational health and safety

Employee training courses on occupational health and safety are held regularly.

403-6 Promotion of worker health

STEICO has appointed health officers in all Group companies to promote employee health. The activities are continuously expanded and adapted to the changing circumstances.

403-9 Work related injuries

In 2019, 34 industrial accidents occurred in the STEICO Group. Only in one case the person concerned did not recover within six months. There were no fatal accidents.

404 Training and further education

All employees of the STEICO Group have access to a wide range of opportunities for personal and professional development. This offer ranges from selective further training measures to extensive education and continued professional development programmes. In addition, the STEICO Group is extensively involved in vocational training.

405 Diversity and equal opportunities

STEICO is an international group and employs people from different cultural backgrounds. It maintains business relationships in many countries. In doing so, we actively strive for respectful interaction and mutual understanding of intercultural differences.

Many careers in the construction industry are still mostly dominated by men. STEICO sees an equal relationship between the sexes as a matter of course and promotes the development of women at all hierarchical levels.

Proportion of women (as of 31 Dec. 2019)

Country	Total number of employees	Number of women	Total percentage of women [%]
Poland	1643	336	20.5%
Germany	140	51	36.4%
France	75	18	23.4%
United Kingdom	12	4	33.3%
Total	1872	409	

Women in management positions (as of 31 Dec. 2019)

Country	Total management positions	Women in management positions	Proportion of women in management positions [%]
Polen	77	14	18.2%
Deutschland	24	3	12.5%
Frankreich	6	4	66.7%
Großbritannien	7	1	14.3%
Gesamt	114	22	

406 Equal opportunities

A non-discriminatory working environment is an important prerequisite for employee satisfaction. Supervisors are instructed to actively address any conflicts that may arise and, if necessary, to involve human resources management at an early stage.

407 Freedom of association and negotiations

At all our locations, we offer employees the opportunity to participate actively in the development of the company, e.g. through a company suggestion scheme. There is a works council at our production sites which represents the interests of the workforce.

408 Child labour and 409 Forced or compulsory labour

STEICO excludes child labour as well as forced or compulsory labour at all of its operating sites.

411 Rights of indigenous peoples

No indigenous peoples are affected by the STEICO Group's business activities.

413 Local communities

STEICO's products are building materials of the future due to their organic nature, and they enable ecological building as part of the sustainable development of our society. The STEICO Group's sustained growth is associated with job creation and prosperity.

The STEICO Group supports local communities by making donations to non-profit institutions such as kindergartens, schools, universities, firefighting and police facilities as well as sports communities. For example, STEICO has constructed a school building using the STEICO timber construction system for the municipality of Czarna Woda, in which around 100 pupils can be taught.

In addition, STEICO is also active in promoting young talent in the industry.

The amount of grants to local communities during the reporting period was approximately € 50,000

415 Political influence

415-1 Party donations

The STEICO Group did not make any party donations during the period under review.

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416 Customer health and safety

STEICO's products are environmentally friendly construction products and thus do not pose any risks to customer health and safety. In many areas the products make a positive contribution to customer health and safety.

As diffusion-open and moisture-regulating insulation materials, STEICO products help to prevent mould and structural damage in buildings.

All STEICO building products have international and/or national building authority approvals, which confirm their long-term functional safety.

All STEICO wood fibre insulating materials carry the independent seal of approval from the IBR (Institute for Building Biology Rosenheim), which confirms that they are harmless to building biology.

Fire protection certificates are available for a large number of constructions using STEICO products, thus supporting the safety of buildings.

417 Marketing and labelling

Customers and end users need understandable and appropriate information about the positive and negative effects of products and services. The STEICO Group pursues a transparent information and labelling policy that aims to be understandable and truthful.

417-1 Requirements for product and service information and labelling

- EPDs (Environmental Product Declaration) are available for key products.
- DOPs (Declaration of Performance) are available for all products.
- Product safety data sheets are available for all relevant products.
- Key information on the transport, storage, processing and disposal of STEICO products can be found in many places in STEICO's information material as well as directly on the product packaging.
- STEICO does not use any anti-competitive marketing activities

418 Protection of customer data

See STEICO's data protection declaration (www.steico.com/int/service/privacy-policy/)

418-1 Well-founded complaints regarding breach of protection and loss of customer data

No proceedings were initiated against the STEICO Group in connection with data protection violations during the period under review.

419 Socio-economic compliance

419-1 Non-compliance with socio-economic laws and regulations

No proceedings were initiated against the STEICO Group during the period under review.

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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, in its own opinion, compared to relevant competitors the European market leader in the wood-fibre insulation materials segment.

STEICO is positioned as a system provider for ecological residential construction and, compared to the relevant competitors, it is the only manufacturer in the industry to offer an integrated wooden construction system in which insulation material and wooden 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 – External Thermal Compound System"), air injected insulation made of wood-fibre and cellulose as well as system products to seal building shells. Construction elements comprise I-joists and laminated veneer lumber. In addition, the STEICO Group also produces Natural Fibre 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-fibre insulation materials". In 2019 the bulk of revenues (62.6%) was recorded with environmentally friendly wood-fibre insulation materials and cavity insulation for building and floor insulation.

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

Wood-fibre insulation materials

STEICO 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-fibre insulation materials are produced by the subsidiaries using various methods - both the wet and

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

Air injected insulation

Air injected insulation is made of loose insulation fibres 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 fibres 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 fibreboard. Some of the bridge 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: LVL, Laminated Veneer Lumber

Laminated veneer lumber 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 (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 low number of employees. The company generates revenues with timber 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

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, fibreboards for pinboards or door fills, as well as other products for industrial applications.

Natural fibre boards (hardboards)

The production of natural fibre boards is similar to the production of wood-fibre insulation materials made using the wet method. The difference is that wet fibres are pressed to form stable boards using particularly high pressure. Natural fibre boards are used in the furniture industry. Natural fibre 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 fibre boards are a key component in the production of I-joists, where they form the so-called web. Sales to external customers is no longer of any strategic importance due to the low margins.

Miscellaneous

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

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.

Prefabricated building elements production

In 2020, STEICO SE will enter the market with its "Element Production" division. This involves refining individual STEICO products (construction materials and insulating materials) to form complete building components such as roof, wall and ceiling elements according to customer specifications. These elements allow work on the construction site to progress particularly rapidly.

Automation and prefabrication of end-to-end components are ongoing trends in the construction industry.

Prefabrication / element production has been practised by STEICO SE's customers for a long time, but is often labour-intensive manual work. STEICO's prefabrication is based on a high degree of automation, which is associated with increases in speed and precision. The offering is geared to timber construction and prefabricated house companies, which can thus achieve advantages in terms of personnel deployment, economic efficiency and construction speed. STEICO SE will not operate as a house construction company itself.

3. PROCUREMENT

The fresh wood required to produce wood fibre 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 customers are mostly broken down into the customer groups of wood and construction materials traders, wood construction companies (such as pre-fabricated home construction companies) and DIY stores (in some cases via distributors) as well as industrial customers (e.g. manufacturers of laminated/parquet flooring, furniture manufacturers, construction material manufacturers). The STEICO Group aims to ensure a broad customer base in order to avoid dependencies on individual customers. 4.9% of revenues were generated with the largest customer in 2019 (previous year: 3.3%). 22.7% of revenues were generated with the ten largest customers (previous year: 20.1%). The company's management believes that it is thus not especially dependent on a single individual customer.

II. CONTROL SYSTEM AND SHAREHOLDER STRUCTURE

STEICO SE is responsible for sales management, marketing, investments, product development, finance and financial control in its position as the group's holding company. As a central Group company, STEICO SE is thus integrated into an intensive reporting system that supports the early recognition of possible undesirable developments.

A detailed control system with reporting as well as strategy and planning processes that are uniform within the company is used to monitor and control the opportunities and risks of the operating business.

A differentiated internal reporting system is in place to monitor economic developments and risks. Deviations from budgets are identified and investigated on a monthly basis. The sales strategy is adapted to new developments. 61.1% of shares are held by the CEO/managing director Mr. Udo Schramek, and the remaining 38.9% are in free float.

III. RESEARCH AND DEVELOPMENT

R&D activities in fiscal year 2019 focused on optimising product characteristics for wood fibre 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 binding agents for wood materials and other adhesives
- Further development of cellulose cavity insulation
- Developing and optimising wet method wood fibre insulation materials
- Developing and optimising dry method wood fibre insulation materials
- Research to optimise the fire and moulding performance for STEICO's insulation materials
- Research to optimise the heat conduction properties for STEICO's insulation materials
- Research to optimise the emission behaviour for wood fibre insulation materials and wooden 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

According to a quick estimate by the European Statistics Office Eurostat, gross domestic product in 2019 grew by 0.1% in the Eurozone and by 0.1% in the EU27 countries. The European economy has thus lost much of its dynamism compared with previous years, but continues to be robust in the face of the uncertainties of global economic developments.¹

Initial estimates for the European construction industry show renewed growth for 2019. Eurostat has estimated growth in the euro area at 1.8% and by 2.4% in the EU27. The construction industry thus continues to be one of the growth drivers in the EU.²

The experts from the market research institute Euroconstruct paint a similar picture for 2019. The construction industry is expected to grow by 2.3% in 2019 in the 19 European countries covered by Euroconstruct. For the years 2020-2022 it is predicted that the positive factors, such as the financial strength of the households, economic growth and demographic effects, will outweigh the negative influence of the weaker overall economy. Nevertheless, market researchers assume that the pace of growth will weaken and stabilise at a rate of 1%.³

Current figures from DESTATIS, the German Federal Statistics Office, are available for sales in the main construction industry through to November 2019. If the period from January to November 2019 is compared with the same period of the previous year, sales in the construction industry rose by 5.2%. The sub-segment for roofing and carpentry, which is particularly relevant for the STEICO Group, even recorded sales growth of 5.3%.⁴

1 Source: Eurostat, press release 29/2020, 14 February 2020

2 Source: Eurostat, press release 31/2020, 19 February 2020

3 Source: Euroconstruct, press release on the 88th Euroconstruct conference, 29 December 2019

4 Source: Destatis, press release 040, 10 February 2020

2. COMPETITION

With regard to wood-fibre 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 Fibris (Poland).

Consolidation on the market for wood-fiber insulation materials continued in 2019. At the beginning of 2019, the competitor Soprema announced the discontinuation of Pavatex production at its Swiss site in Cham. The resulting lower competitive pressure is has enabled STEICO 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.

STEICO SE's management believes that in 2019 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 2019 were Metsä (Finland), Stora Enso (Finland), Pollmeier (Germany), as well as MLT/Taleon Terra (Russia).

As a result the competitive landscape did not change significantly in 2019. The company's management also does not expect any major changes in 2020 either, such as the market entry of further relevant competitors, which means that the intensity of competition should remain constant in principle.

II. COURSE OF BUSINESS

1. KEY EVENTS IN 2019

Replacement of the position of Deputy Chairman of the Board of Directors

On 28 June 2019 STEICO SE's general meeting elected Professor Heinrich Köster as the Deputy Chairman of the Board of Directors as part of the scheduled new elections for the Board of Directors. The previous Deputy Chairman of the Board of Directors, Mr. Uto Baader, did not stand for re-election.

New director for production and sales

On 30 September 2019 STEICO SE announced that the managing directors Heiko Seibert (Sales) and Holger Jödecke (Production) were leaving the company at the end of their contractual terms on 31 December 2019.

The Board of Directors of STEICO SE appointed Thorsten Leicht as Managing Director for Production with effect from 1 January 2020. Tobias Schindler was appointed Managing Director for Sales with effect from 1 April 2020.

Group management report for STEICO SE as of 31 December 2019

2. COURSE OF BUSINESS

In 2019 the STEICO Group was able to once again record revenue growth on most of its sales markets. It recorded substantial growth in two large continental European economies in Germany and France. Germany grew by 12.0%, while sales in France increased by 6.1%.

Revenues in the United Kingdom lifted by 8.7%. Despite the continuing uncertainties regarding the planned EU withdrawal, the British construction industry proved to be extremely robust.

Sales soared by 164.6% in Australia. Australia has been developed as a new export market for I-joists since 2017 and is showing dynamic growth rates as part of the successful market launch. In previous years this country was included in the "Rest of the world" item. Due to its increased importance, it will be reported separately from now on. After Australia was still included in the collective item "Rest of the world" in previous years, the country is now reported separately due to its increased importance.

In addition, excellent was also recorded in the regions of the rest of Eastern Europe (excluding Poland) with a plus of 14.4%, the Alpine region (Austria, Switzerland, Liechtenstein) which was up by 9.3% and the rest of the world with a growth rate of 31.2%.

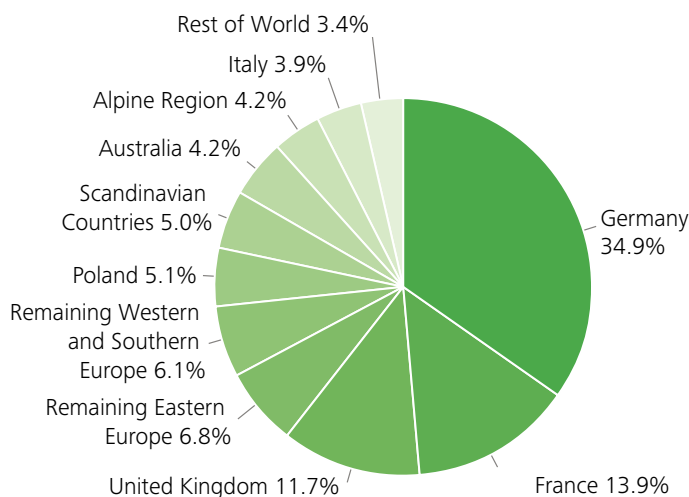
Sales in the Scandinavia fell by 7.2%. This is due less to a weakness in local markets than to the situation that

Scandinavian countries are home to distributors who purchase special STEICO products for further export. This export business has recently been declining.

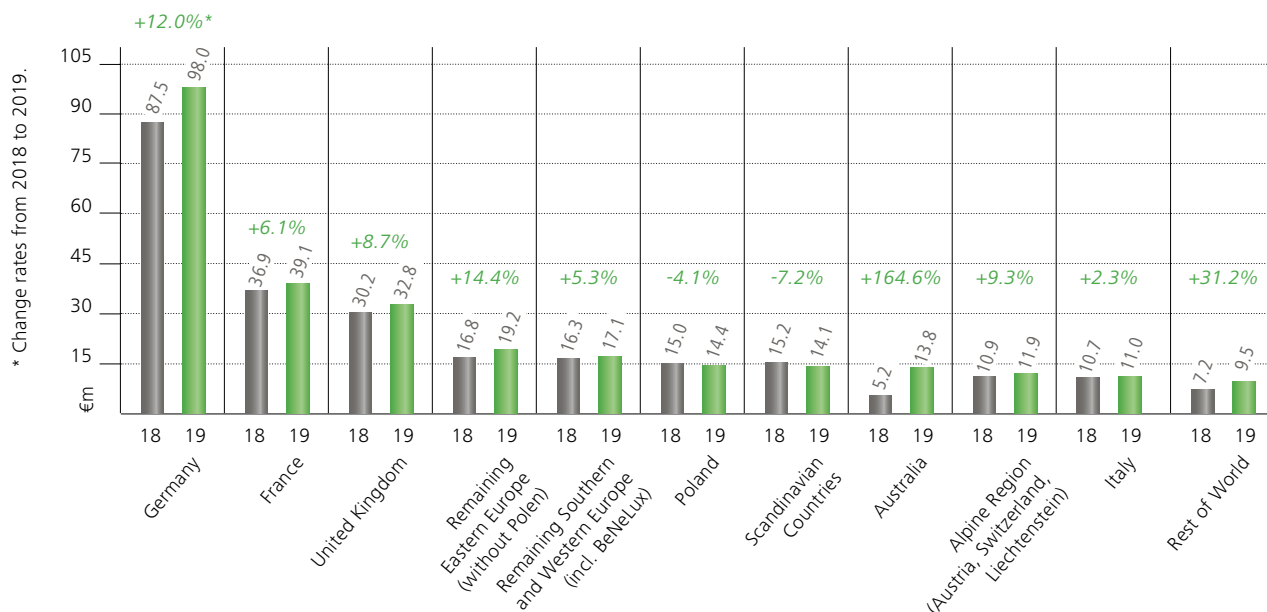
In total, the STEICO Group's revenues lifted by 11.5% to € 281.0 million (previous year: € 252.0 million).

In 2019 the STEICO Group recorded around 65.1% of its revenues outside its home market of Germany (previous year: 65.3%).

2019: Ratio revenues by markets



2019: Development revenues by markets in € millions



3. GROWTH IN THE PRODUCT SEGMENTS

The sale of environmentally friendly insulation materials as well as cavity insulation and flooring constitutes STEICO's core business and contributed around 62.6% of the Group's total revenues in 2019 at € 176.0 million (previous year: € 156.6 million). This corresponds to an increase of 12.4%.

The sale of I-joists (construction products) was up slightly in 2019. As a result these products accounted for € 43.2 million of revenues or around 15.4% (previous year: € 33.0 million). This corresponds to an increase of 30.9%. In addition to the UK, increased sales in Australia were the main contributor to growth.

The sale of laminated veneer lumber contributed around 11.3% to total revenues in 2019 (€ 31.9 million; previous year: € 28.3 million). This corresponds to an increase of 12.5%.

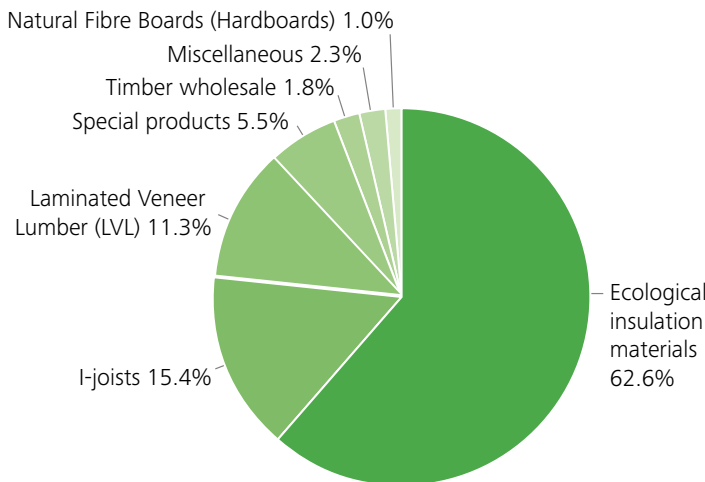
Growth was also recorded in the Special Products segment. This segment almost matched the previous year's level and contributed € 15.4 million to total revenues (previous year € 13.9 million). This corresponds to an increase of 10.6%. This thus accounts for 5.5% of sales.

In the "Miscellaneous" segment revenues of € 6.5 million were recorded in 2019 (previous year: € 6.5 million) This corresponds to a contribution to revenues of 2.3%.

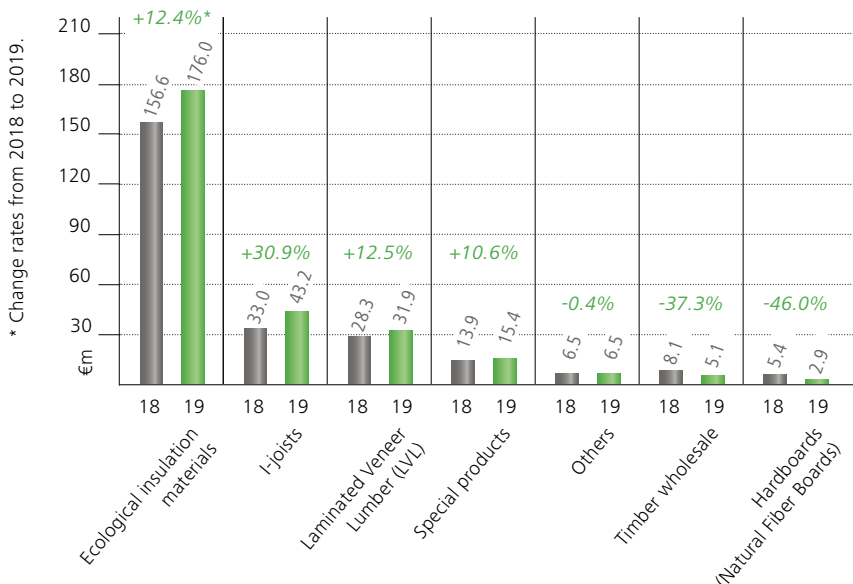
The timber wholesale segment recorded a decline in sales in 2019. Timber wholesale contributed € 5.1 million to total revenues in 2019 (previous year: € 8.1 million). This corresponds to a decrease of 37.3%. This thus accounts for 1.8% of revenues. The timber wholesale segment stems from the company's history and is operated without strategic importance and with little personnel expenditure.

Business with fibreboards was also weaker in 2019 than in the previous year. Sales in this segment contributed around 1.0% to total revenues (€ 2.9 million; previous year: € 5.4 million). This corresponds to a decrease of 46.0%. The decline in external sales of hardboard reflects its increasing internal use as a component of the fast-growing I-joist segment.

2019: Ratio revenues by Products



2019: Development revenues by products in € millions



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4. PRODUKTION

Due to changes in the allocation of individual products, there have been some minor changes in the previous year's figures.

Wood-fibre insulation materials

On 31 December 2019 the STEICO Group had a total of seven state-of-the-art production lines for the production of stable wood-fibre insulation materials using the wet method. The output quantity was 168,115 t (previous year: 165,313 t). This corresponds to an increase of 1.7%. Four of the lines are installed in Czarnków and three lines are installed in Czarna Woda.

Two further lines produce stable insulation material using the dry method. In 2019 a total of 70,909t of these products were produced (previous year: 54,793t). This corresponds to an increase of 29.4%. These lines are installed in the Czarnków facility.

As of 31 December 2019 four lines produced flexible wood-fibre insulation boards as well as cavity insulation made of wood fibres. Three of these lines are installed in the Czarnków facility, one is located in Casteljaloux. Two further lines produce cellulose cavity insulation at the facility in Czarnków. In 2019 a total of 73,327t of this cavity insulation material was produced (previous year: 69,139t). This corresponds to an increase of 6.1%.

In total, in 2019 319,427t of wood-fibre and cellulose insulation material was produced (previous year: 294,365t). This corresponds to an increase of 8.5% and proves the continuing trend to environmentally-friendly insulation materials.

Natural fibre boards (hardboards)

Two production lines in Czarna Woda continue to produce fibreboards. These lines primarily cover the requirements for fibreboards as a component of I-joists. In 2019, 28,686t were produced (previous year: 36,623t). This corresponds to a decrease of 21.7%. Despite the increased production volume of web beams, the fact that there has been a decline in the production of hardboard illustrates that hardboard is not a strategic segment and that external sales are only made at correspondingly advantageous margins.

I-joists

I-joists are produced in a production line in the Czarnków facility. Around 12,115trm (thousand running meters) were produced in 2019 (previous year around 9,685trm). This corresponds to an increase of 25.1%.

Laminated veneer lumber

Laminated veneer lumber is produced on two lines in the Czarna Woda facility. After the second plant was still in the start-up phase in 2018, it went into regular operation in the course of 2019. In 2019 a total of 134,070 cbm of this lumber material was produced (previous year: 112,967 cbm). This corresponds to an increase of 18.7%.

Growth in production quantities for the STEICO Group

	STEICO Group 2019	STEICO Group 2018
Insulation materials (total)	319,427	294,365
Wood-fibre products and insulation boards (wet method) [t]	168,115	165,313
Stable wood-fibre insulation boards (wet method) [t]	70,909	54,793
Wood fibres and flexible wood-fibre insulation boards (dry method) and cellulose air injected insulation [t]	73,327	69,139
Natural fibre boards / hardboards [t]	28,686	36,623
I-joists (trm)	12,115	9,685
Laminated veneer lumber [cbm]	134,070	112,967

III. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

1. KEY PERFORMANCE INDICATORS

The following overview contains selected performance indicators and their alteration. For important key performance indicators used for management of STEICO please refer to section IV.

In T€	2019	2018
Revenues	280,966	251,957
Gross profits	135,745	116,475
Personnel expenses	50,062	44,047
EBIT	32,487	24,563
Financial result	-1,255	-1,227
Earnings before taxes	31,232	23,337
Net income	22,787	16,160
Net change in cash and cash equivalents	2,766	-6,010

In T€	2019	2018
Total assets	354,570	313,086

2. RESULTS OF OPERATIONS

As a production and marketing company for wood-fibre insulation materials the STEICO Group has been able to once again increase its revenues year-on-year. Revenues in the past fiscal year increased by 11.5% from € 252.0 million in 2018 to € 281.0 million. Total operating revenue was 13.2% higher than in the previous year (€ 254.1 million) at € 287.8 million.

The cost of materials ratio (in terms of total operating revenue) fell in 2019 to 55.1% (previous year: 56.1%). This is due, among other things, to the price increase in 2019 and an advantageous PLN/EUR exchange rate hedge. In fiscal year 2019 there was average hedging for the majority of goods purchased in PLN that was higher than the exchange rate in calculations of PLN 4.30/€.

The personnel expenses ratio in 2019 was 17.4% (previous year: 17.3%) and is thus slightly higher than the previous year's level. This is due to the strategic staff increases for further growth and also the higher wage and salary costs, for example in Poland.

Other operating expenses		
In € thousand	2019	2018
Write-downs of receivables	14	17
Building costs, rent, cleaning	1,332	1,086
Insurance, contributions, fees	3,521	2,835
Repairs and maintenance	5,298	4,715
Vehicle costs	3,489	3,216
Sales costs, advertising and travel expenses	3,577	3,526
Commission expenses	285	268
Operating costs	2,422	2,043
Administrative costs, IT	2,111	2,142
Telecommunication	241	225
Legal and consulting costs, court costs	776	651
Costs of preparing the annual financial statements	189	172
Currency translation and incidental costs for payments	2,542	2,652
Miscellaneous other operating expenses	3,175	4,487
Total	28,972	28,022

Other operating expenses amounted to € 29.0 million (previous year € 28.0 million) and developed disproportionately to the increase in total operating revenue, which is attributable in particular to the increase in other operating expenses. Exchange rates also impacted earnings

as follows: Currency translation differences totalled around € 3,277 thousand under other operating income. This is offset by expenses from currency translation under other operating expenses of around € 2,542 thousand.

The financial result in 2019 was negative at € 1.3 million (previous year: € -1.2 million) and is mostly governed by the interest expenses due to financing the ongoing investment activities as part of the current syndicated credit agreement.

Last year's results are substantially higher than the original expectations. Both EBITDA and EBIT recorded above-average growth.

EBITDA was up 27.7% from € 44.4 million in the previous year to € 56.7 million. EBIT was 32.3% higher than in the previous year (€ 24.6 million) at € 32.5 million. The improvement in earnings is mostly due to the excellent operating output as well as the continued high capacity uptake for the production lines, the price increase which has been implemented as well as the advantageous exchange rate hedging.

Total earnings (consolidated profits) amounted to € 22.8 million in 2019 (previous year: € 16.2 million). This corresponds to an increase of 41.0%.

3. FINANZ- UND VERMÖGENSLAGE

Total assets increased substantially as of 31 December 2019 to around € 354.6 million compared to 31 December 2018 (€ 313.1 million). Property, plant and equipment has increased to € 249.9 million (previous year: € 221.0 million), which is mostly due to the ongoing investments in expanding capacity, increasing production efficiency, setting up a biomass boiler and completing the extension to STEICO's headquarters.

The inventories item rose disproportionately. Inventories totalled € 45.2 million on 31 December 2019 (previous year: € 37.0 million). In particular, the sub-item Finished goods and merchandise increased significantly compared to the previous year to € 21.5 million (€ 15.1 million). This is due to the more extensive standard product range as well as a strategic stockpiling during the winter months. This is intended to provide reserves for inspection work on production facilities and for periods of peak demand during the construction season.

Receivables and other assets displayed lower than average growth, despite higher sales, and totaled € 34.3 million (previous year: € 32.9 million). This is due to factors including further optimisations for receivables management.

On 31 December 2019 the item cash in hand and bank

Group management report for STEICO SE as of 31 December 2019

balances amounted to € 22.1 million (31 December 2018: € 18.8 million). The increase essentially results from cash flows from operating activities, the balance of borrowing and repayment as well as capital expenditures for property, plant and equipment.

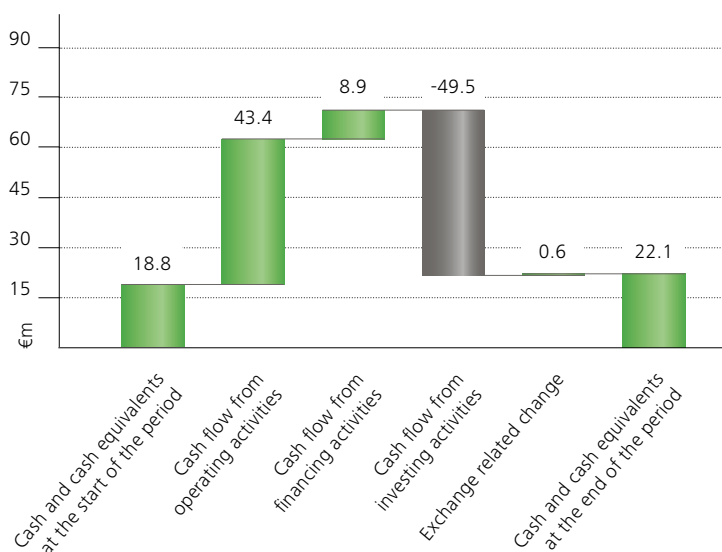
On 31 December 2019 equity amounted to € 190.3 million (31 December 2018: € 168.1 million). This corresponds to an equity ratio of around 53.7%, which is thus at the same level as in the previous year.

On the balance sheet date the group companies had free credit lines available of more than € 110 million at standard market conditions. In addition, a credit limit for currency forwards was granted in order to be able to perform the hedging transactions required for operating business.

4. LIQUIDITY

Cash flow from operating activities

2019: Cash flows in € millions



During the past fiscal year, the STEICO Group recorded a cash flow from operating activities of € 43.6 million (previous year: € 40.5 million). This increase is mostly due to the increase in net income for the period.

Cash flow from investing activities

The cash flow from investing activities totaled € -49.6 million (previous year: €

-45.0 million) and is mostly due to payments made for investments in property, plant and equipment. The investments for setting up a new biomass boiler account for the largest block of capital expenditure in 2019.

Cash flow from financing activities

The cash flow from financing activities is positive at € 8.9 million (previous year: € -1.6 million). The change is mainly due to higher utilisation of financial loans to finance investments in financial assets.

As of 31 December 2019 the STEICO Group's cash and cash equivalents totaled € 22.1 million (previous year: € 18.8 million), which are deposited in overnight money, fixed accounts and current accounts. The group pursues a risk-minimising investment approach which ensures that liquidity is guaranteed until it is used for further investments.

The planned total investment volume in 2019 is approx. € 44 million. The existing cash and cash equivalents and the net proceeds from the cash flow from operating activities as well as bank loans are used to finance this capital expenditure.

Summary of the economic position

In 2019 the STEICO Group's revenue growth was 11.5% and thus in line with original expectations of more than 10%. Both ecological insulation materials and construction products recorded encouraging growth.

In terms EBIT, growth of between 9% and 10% was originally forecast for 2019 (EBIT to total operating revenue). These expectations were clearly exceeded with an actual EBIT ratio of 11.4%. The positive growth was mainly driven by a lower cost of materials ratio and a disproportionately low increase in other operating expenses.

In summary, from the managing directors' perspective, STEICO Group is very well positioned for future growth, in particular as a result of its product range structure, its large, integrated production sites and the intensification of sales.

Both the income statement and also the balance sheet show a sound company with continued growth potential.

In total the STEICO Group has a future-oriented business model and solid finances, and in the view of the company's management it will continue its on-track growth over the long term.

IV. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

1. THE STEICO GROUP'S FINANCIAL INDICATORS AT A GLANCE:

In € thousand	2019	2018
Revenues	280,996	251,957
Total operating revenue	287,792	254,122
EBIT	32,487	24,563

In particular revenues, total operating revenue and EBIT are used as indicators for the internal control of the group

2. 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, STEICO SE holds an environmental product declaration (EPD) for wood fibre insulation materials which offers additional proof of its dedication to sustainability.

In 2019, an environmental management system according to ISO 14001:2015 was also introduced at the Polish production plants.

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 2019, the STEICO Group has also made key investments at its production plants to generate climate-friendly process heat and steam. The commissioning of the fifth biomass boiler in the Group means that in 2020 it will be possible to generate steam and heat for the regular operation of the production facilities entirely from biomass. The coal used to date will then only be used as a reserve energy source, e.g. during maintenance or conversion work on the biomass boilers.

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 a provider of an environmentally friendly wooden construction system.

Staff

In 2019 the STEICO Group had an average of 1,806 employees (without suspended employees) (previous year: 1628). The STEICO Group's employees play a key role in the group's long-term success. STEICO aims 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. STEICO has established a range of incentives to increase employee satisfaction and loyalty, e.g., active promotion of further training measures, support in setting up retirement provisions, offers to help employees balance work and family life, etc.

C. 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. RISK MANAGEMENT SYSTEM

Entrepreneurial activities are always associated with risks. As a result, consciously entering into risks is a necessary pre-requisite for the company's overall success. This means that the STEICO Group has a risk management system which recognises risks at an early stage, allowing countermeasures to be put in place in good time. Risks from production and procurement are primarily to be found with the subsidiaries STEICO Spółka z o.o. (Poland), STEICO Joist Spółka z o.o. (Poland) and STEICO Casteljalous S.A.S. (France), however these can have a direct impact on STEICO SE: Risks are monitored and controlled at the subsidiaries. Changes or critical developments are reported to STEICO SE's management. The risk management system is constantly tested to make sure that this is up to date and adjusted if required in order to meet the requirements for a listed company and the requirements of the German Public Limited Companies Act.

II. RISKS OF FUTURE GROWTH

1. DEPENDENCY ON THE ECONOMY AND THE GROWTH OF THE CONSTRUCTION AND CONSTRUCTION MATERIALS INDUSTRY.

As a company in the construction materials industry the STEICO Group depends on factors including overall economic development and also the growth of the European construction industry. The STEICO Group operates on a niche market which has proved to be robust in the past with regard to economic fluctuations - however an ongoing recession on key markets or a longer-term downturn in construction activities could depress the STEICO Group's revenues and earnings. The impact of this risk is considered to be high.

Despite economic downturns the management sees ongoing positive conditions within the building sector, supporting a positive development of the company in the coming financial year. In the opinion of the management the trend towards timber construction will continue, furthermore there is a need of living space in many markets and more and more funding programmes are supporting this form of resource-saving construction.

There is also a significant backlog of orders in the construction sector. The probability of a risk arising from a downturn in the industry is therefore considered to be low.

2. RISKS FROM RESTRICTIONS OF PUBLIC LIFE

Unforeseen events like the outbreak of epidemics, serious political distortions, faults of important infrastructure networks like electricity or communications could rapidly lead to massive lockdowns of public life. That might go hand in hand with restrictions on movements of people and goods or on business- and production activities. This is combined with an economic risk.

In the first months of 2020, the spread of the new corona virus has led to significant restrictions in public life worldwide. The STEICO Group has reacted to the risk of a further spread of Covid-19 by drawing up an emergency plan, which includes, among other things, measures to maintain the ability of key employees and departments to work as far as possible even if the crisis intensifies. Similarly, contingency plans have also been drawn up at the manufacturing subsidiaries.

Construction activity continued despite the restrictions in many places. The transport of goods within Europe was also only impacted for a short period of time, with the result that the STEICO Group was able to record slight growth in the

first quarter of 2020 despite individual production facilities being shut down on some days. Assuming that restrictions are maintained until the middle of the year and then gradually reduced, the risk is considered to be high, but it does not pose a threat to STEICO's business model.

3. PRODUCTION RISKS

As a production and distribution company, the STEICO Group depends on the reliable operation of the installed production equipment and taking new production lines into operation smoothly at the manufacturing subsidiaries. Risks that could impact production include, in particular, force majeure as a result of fire or flooding, technical failure or the failure to obtain or withdrawal of licenses from the authorities to operate the equipment. Environmental pollution from emissions or disruptions to operations and thus the resulting downtime for equipment cannot be ruled out

The STEICO Group combats these risks with regular maintenance, precautionary construction and organisational activities and it has also concluded corresponding insurance policies. In addition it is in close contact with the licensing authorities. For 2020, the investment plan provides for further investments, which are intended to increase production reliability. In the management's opinion, no significant change in risk is expected compared with the previous year, which means that the probability of occurrence remains low.

4. LOCATION RISKS

In 2019 the STEICO Group had manufacturing activities at three locations and thus used various location advantages. Depending on its position, the choice of a location can also be associated with risks, for example exchange rate fluctuations or regionally higher prices for raw materials and energy. As the STEICO Group produces light, high-volume insulation material, the proximity of its production facilities and sales markets is a key strategic success factor. Setting up new locations - by developing locations or making acquisitions - to ensure future growth can, however, also be associated with risks, for example with financing risks, personnel risks, production or organisational risks.

The management continuously evaluates the situation of the existing locations, makes investments to compensate for any disadvantages that may arise and examines the development of further locations. No material deterioration in the existing location advantages is predicted for 2020. The impact of the risk is considered to be minor

5. RISKS FROM INVESTMENTS BY OTHER MANUFACTURERS

The STEICO Group operates in a dynamic market environment and constantly competes with other European manufacturers. Extensive new investments by competitors to build up additional capacity could lead to price reductions over the medium term, which in turn would have a medium-scale negative impact on STEICO SE's returns.

However, STEICO has been able to establish substantial barriers to market entry in order to protect and expand its position on the market. These include, for example, an efficient sales organisation with access to the key sales markets and market entry barriers for its manufacturing subsidiaries such as production and development expertise, the most extensive product range in the industry, as well as a modern fleet of equipment with the largest production capacity in the industry.

Management does not expect its direct competitors to significantly increase capacity in 2020. In the management's opinion, no significant change in risk is expected compared with the previous year, which means that the probability of occurrence remains low.

6. EXCHANGE RATE RISKS

There are exchange rate risks as the STEICO Group mostly produced its goods in 2019 in Poland and thus in the Zloty currency zone. As its products are sold internationally and thus invoiced in euros as well as in other currencies, for example sterling and US dollars, exchange rate fluctuations could thus have a negative impact on the STEICO Group. The STEICO Group observes and evaluates exchange rate fluctuations as part of its risk management system and performs exchange rate hedging on a regular basis with the aim of creating the most stable basis for calculations possible for the STEICO Group.

STEICO SE observes and evaluates exchange rate fluctuations as part of its risk management system and performs exchange rate hedging on a regular basis with the aim of creating the most stable basis for calculations possible for STEICO SE. The Polish zloty in particular is hedged to a high degree.

In 2019 the exchange rate of the PLN/EUR currency pair fluctuated in the low single-digit percentage range. Management is assuming similar fluctuation margins for 2020, which means that the probability of a currency risk occurring remains low.

7. DEPENDENCIES/RISKS FROM EXCHANGE RATE HEDGING

The exchange rate hedges use structured currency forwards in PLN, sterling and US dollars with, in some cases, variable nominal hedge amounts, exchange rate swaps and interest rate swaps with currency options. These offer the opportunity of lower priced exchange rate hedging compared to traditional transactions. At the same time, these can result in income and liquidity risks for STEICO SE in line with the complex structure of the contracts' content, or also the removal of hedged quantities on the other hand, which could occur depending on the respective development of the exchange rate in particular between the Polish Zloty as the key foreign currency on the procurement side, and euros, and could thus constitute a risk with a greater impact.

In fiscal year 2019 there was average hedging for the majority of goods purchased in PLN that was higher than the exchange rate in calculations. The Board of Directors expects to also achieve hedging above the calculation rate in 2020. In the management's opinion, no significant change in risk is expected compared with the previous year, which means that the probability of occurrence remains low.

8. RISKS FROM COMPETITION WITH OTHER MANUFACTURERS AND DUE TO PRODUCT LIABILITY

Lower revenues could result if existing customers decide to use competitors' products. This could be primarily due to delivery bottlenecks or quality defects, as well as an incorrect product or price policy.

However, forward-looking production planning, a well-functioning logistics system, in-depth quality management (ISO 9001:2015 certification for STEICO Spółka z o.o.) as well as in-depth observation of market developments minimise these risks. In addition there is insurance in the event of product liability for all of the companies in the STEICO Group. The effects are therefore to be regarded as being minor.

In 2019, further measures were implemented to increase quality, e.g. the introduction of an environmental management system in accordance with ISO 14001:2015. The capital expenditure plan also includes implementing additional measures in 2020 to keep the STEICO product range attractive for customers, e.g. obtaining additional building inspectorate approvals, product tests, etc. In the management's opinion, no major change in the risk is expected compared to the previous year, meaning that the probability of this risk occurring remains low.

9. RISKS OF DEPENDENCIES ON KEY CUSTOMERS

The risk of customer dependencies is limited by the large number of customers and their balanced share of total revenues. For example, no single customer accounts for more than 4.9% of the STEICO Group's total revenues. The STEICO Group recorded 22.7% of its revenues with its ten largest customers.

In 2019, there was a slight concentration of the sales volume on large customers. However, these revenue percentages mean that the sales volume is highly diversified, and this means that there is also no dependency on a single customer in this regard. The loss of a top customer thus constitutes a risk with little impact.

Management expects a further, minor concentration in 2020. At the same time, the development of new customer groups and further market penetration will be actively promoted in order to counteract excessive concentration. In the management's opinion, no significant change in risk is expected compared with the previous year, which means that the probability of occurrence remains low.

10. RISKS FROM SUPPLIER DEPENDENCIES

In addition to the products it produces itself, STEICO SE sells a range of merchandise, for example products for sealing the building shell. It is not possible to change suppliers quickly for all of the products. As a result, difficulties encountered by the manufacturer in making deliveries could impact the company's success.

STEICO SE constantly observes business relationships with its partners and if required it reviews alternatives, for example procuring replacements or producing the items in house. This aims to ensure that the loss of individual suppliers does not have any long-term negative impact.

The probability of this risk occurring is regarded as being low, and also the impact of the risk.

In the management's opinion, no significant change in risk is expected in 2020 compared with the previous year, which means that the probability of occurrence remains low.

11. RISKS FROM LOST RECEIVABLES

Defaults on receivables constitute an additional operating risk which could restrict the company's liquidity. However, outstanding receivables are mostly hedged under a credit sale insurance policy, which minimises the probability of occurrence for this risk and the impact is to be regarded as being low. There were no notable receivables defaults in 2019. In the management's opinion, no significant change

in risk is expected in 2020 compared with the previous year, which means that the probability of occurrence remains low.

12. RISKS FROM FINANCING REQUIREMENTS

In order to realise the growth planned by management, financing is also required in addition to the profits recorded and the cash and cash equivalents available. The receipt of this financing is subject to various risks, such as creditworthiness and the capital markets risk. As a rule, investment projects are only released when financing has been secured. Delays in the procurement of suitable financing for investment projects in future could lead to delays in or the discontinuation of planned investment projects. The effects would weigh on sales and returns to a medium extent.

STEICO SE concluded a new syndicated loan agreement with a bank consortium in 2019, thus securing its borrowing requirements over the medium term. In the management's opinion, no significant change in risk is expected compared with the previous year, which means that the probability of occurrence remains low.

13. DEPENDENCY ON PERSONS IN KEY POSITIONS

In order to reach its entrepreneurial targets, it is of key importance for the STEICO Group to acquire and retain qualified staff. This relates to both executive positions and also, in particular, qualified staff in the respective departments. The STEICO Group pursues a human resources strategy in which employees' qualifications, experience and contacts are also transferred to other employees. The loss of individual employees, including those in executive positions, therefore represents a risk with only minor effects. Management believes that the STEICO Group's employee fluctuation rate is low.

The STEICO Group constantly intensifies its contacts with various institutions, e.g. training institutions, to recruit qualified personnel and is constantly working on programs to improve employee satisfaction. In the management's opinion, no significant change in risk is expected in 2020 compared with the previous year, which means that the probability of occurrence remains low.

14. RISKS FROM THE ORGANISATIONAL AND WORKFLOW STRUCTURE

As part of the constant expansion of its business and its internationalisation the STEICO Group believes that it is exposed to increasing complexity. This relates to both administration and also its organisational structures. In

order to also ensure smooth business processes in future, responsibilities and work-flows are reviewed regularly and, if necessary, staff structures are realigned. This is coupled with increased administration requirements as part of the listing on the Frankfurt and Munich stock exchanges. This is associated with reporting and publication requirements. Failure to uphold these could result in, for example, penalisation under stock market law. In order to combat this risk, the STEICO Group has put the requisite organisational processes in place and created clear responsibilities. The probability of this risk occurring is regarded as being low, and also the impact of the risk.

In the management's opinion, no significant change in risk is expected in 2020 compared with the previous year, which means that the probability of occurrence remains low.

15. RISKS FROM LITIGATION

Potential litigation could also constitute a risk for the operating result. However, there were no ongoing cases in 2019 which could have a negative impact on the course of the STEICO Group's business or which could have a future negative impact. The probability of this risk occurring is regarded as being low, and also the impact of the risk.

In the management's opinion, no significant change in risk is expected in 2020 compared with the previous year, which means that the probability of occurrence remains low.

III. OPPORTUNITIES FROM FUTURE GROWTH

Based on the broad product range and the ongoing product developments the STEICO Group is planning to further expand its revenues and market shares in the coming years. STEICO expects to be able to implement price increases on the market as a result of the lower competitive pressure. In so doing, in the opinion of the company's management, it can benefit from the following central development opportunities:

1. OPPORTUNITIES DUE TO GROWING DEMAND FOR NATURAL INSULATION MATERIALS

As the European market leader for environmentally friendly insulation materials made of wood fibres the STEICO Group is benefiting to a particularly great extent from the continued increase in demand for environmentally friendly insulation materials. The wide ranging physical advantages for construction such as protection from summer heat, vapour permeability and protection from damage from damp

are being focused on by builders. In addition, throughout Europe, requirements for energy efficiency in buildings are constantly being heightened. The company's management believes that there is particular market potential in the increasing energy-related renovation of existing buildings. The EU Buildings Directive was revised in 2018. In addition to a further improvement in energy standards for new buildings, the focus is also on increasing the quota for energy-related refurbishments. The impact on revenues and returns due to rising demand can therefore be regarded as particularly high.

The Board of Directors assumes that the market share of natural insulating materials has increased continuously in recent years. This trend is expected to continue in 2020, not least because of the ongoing climate debate. This makes it highly likely that demand will continue to grow.

2. OPPORTUNITIES DUE TO GROWING DEMAND FOR CONSTRUCTIVE BUILDING PRODUCTS

The Board of Directors expects an increase in timber construction activity throughout Europe. For Germany, for example, the regular publications of the Bundesverband Deutscher Fertigbau e.V. (Federal Association of German Prefabricated Construction) show a continuous increase in the timber construction quota. STEICO SE already generated 27.0% of its revenues in 2019 from the sale of construction products. The impact on revenues and returns due to rising demand can therefore be regarded as particularly high.

STEICO SE also operates on the market for constructive building elements by selling I-joists and laminated veneer lumber. These products are used as replacements for structural timber and glued laminated timber and are an economic alternative - for both timber frame construction and also in concrete structures, for example for ceiling constructions or for facade renovation. As a result of their product characteristics (including reducing thermal bridges, dimensional stability, low own weight and excellent static properties) STEICO's construction products are used in walls, roofs, ceilings and floors. At the same time, they are designed to be used with STEICO's insulation products, which means that we can offer customers an optimised construction and insulation system - almost the entire building shell from a single source.

STEICO has a unique position in the industry with its own construction system comprising construction materials and insulation materials, and it develops new sales markets and at the same time it reduces its dependency on individual segments. There are additional advantages for customers, such as the possibility to optimise freight thanks to mixed loads of insulation and construction materials.

After construction products have already been among the growth drivers in 2019, management believes that growth is very likely to continue due to the positive product characteristics

3. OPPORTUNITIES DUE TO EXTENSIVE VERTICAL INTEGRATION

The STEICO Group sells merchandise as a supplement to the goods it produces itself on several markets. At present these products are air sealant films and components for composite thermal insulation systems. STEICO checks these goods constantly for their revenue and earnings growth as well as their importance in the STEICO construction system. Wherever it appears to be pertinent over the long term, STEICO invests in its own production, as is the case, for example, for laminated veneer lumber, in order to reduce dependencies and improve margins. Depending on the respective product area, the positive effects on revenues and returns range from low to high.

At the same time, the STEICO Group is also making targeted investments to increase its vertical integration within its existing production range. In the "Element Production" division, for example, STEICO products are refined into complete building components (entire wall, roof or ceiling elements), which is associated with a significant increase in vertical integration.

In 2020 the company will enter the market with its new offering for element production. Management expects a predominantly positive response from the market, so that the probability of a further increase in sales due to greater vertical integration is considered high. However, the effects on revenues and returns are likely to be minor at the beginning.

4. OPPORTUNITIES DUE TO THE INTRODUCTION OF NEW PRODUCTS.

As an innovative, high-growth company STEICO constantly further develops its product range. In addition to further developing its integrated construction and insulation system the focus is also on specialty and industrial products which can be produced using STEICO's production equipment. In the opinion of the company's management, this opens up further areas of application, allowing the product range to be supplemented by additional, high-margin products. Depending on the respective product area, the positive effects on revenues and returns range from low to high.

In 2020, management plans to continue on its innovation course, which means that the probability of a further increase

in revenues from innovations is high. The effects would weigh on sales and returns to a medium extent.

5. OPPORTUNITIES FROM FURTHER INTERNATIONALISATION

In addition to expanding the product range, internationalisation also offers opportunities for increasing revenues. In 2019 the STEICO Group recorded around 65.1% of its revenues outside its home market of Germany. In 2019, Australia was the fastest growing market. The positive effects of further internationalisation are considered to be high.

The management intends to further accelerate internationalization in 2020, so that the probability of further sales increases is high. The effects would weigh on sales and returns to a medium extent.

6. OPPORTUNITIES FROM PROCESS OPTIMISATION AND INCREASES TO EFFICIENCY

The STEICO Group constantly reviews its processes for procurement, administration and sales and optimises these to generate further improvements in efficiency as well as to gain synergy effects. In the same way, optimisation at the manufacturing subsidiaries and foreign sales companies is being driven forward. For example, STEICO constantly invests in automating production and in digitalisation, process optimisation and making its administrative structures even leaner, with the aim of establishing STEICO as the industry-wide cost leader. The impact on revenues and returns due to rising demand can therefore be regarded as particularly high.

The investment plan provides for further measures to optimize processes and increase efficiency in 2020, so that the probability of further sales increases is high. The effects would weigh on sales and returns to a medium extent.

Summary of the risk and opportunity situation

The assessment of the overall risk and opportunity situation is the result of the consolidated consideration of all of the company's significant risks and opportunities. The STEICO Group's overall risk and opportunity situation remains largely unchanged year-on-year. The STEICO Group has set up a risk management system to control the described and unforeseeable risks.

The managing directors of the parent company STEICO SE do not believe that the continued existence of the company is at risk. As in the previous year, the current risks are considered to be manageable, but - similar to the opportunities - if they materialise, they may affect the underlying key performance indicators, which could consequently deviate from the

forecast. The Group's financial position is stable; the liquidity requirement is currently covered by existing liquidity and available credit lines.

IV. FORECAST

The Board of Directors is looking positively to the future, even though STEICO is facing demanding challenges as a result of the current corona crisis. Throughout Europe there is still a need for additional living space and the trend towards timber construction is continuing unabated. More and more public funding programmes are supporting this form of resource-saving and regional construction. In addition, the essential energetic renovation of existing buildings holds great potential.

For the year 2020 as a whole, management is continuing to forecast positive growth. Until the middle of the year, growth momentum is likely to be dampened - as in the first quarter - by the Covid-19 restrictions. Provided that the restrictions are then gradually lifted, management expects positive growth impetus in the second half of the year from catch-up effects. For 2020, the Board of Directors expects revenues and total operating revenues (TOR) to be between the previous year's level and plus 5% growth, with an EBIT ratio of between 7.5% and 8.5% (of TOR).

In terms of currencies, the operational forecast for 2020 is for goods to be purchased in the Polish facilities with an average PLN/€ exchange rate of 4.26 to 4.30. Currency hedges ensure that the requisite quantities of PLN can be acquired at an average exchange rate significantly higher than PLN/€ 4.30, even if the Zloty increases in value, which is not currently to be expected.

Feldkirchen, 20.04.2020

Udo Schramek Thorsten Leicht Uwe Klaus Lange

Dr. David Meyer Milorad Rusmir Tobias Schindler

STEICO Group consolidated income statement 01.01.-31.12.2019

	2019	2018
	€	€
1. Revenues	280,996,110.78	251,956,843.30
2. Increase in finished goods and work in progress	6,666,106.42	2,094,901.93
3. Other own work capitalised	129,394.58	69,901.20
	287,791,611.78	254,121,646.43
4. Other operating income		
- of which from currency translation: € 3,278 thousand (previous year: € 2.,49 thousand)	6,598,687.57	4,808,905.16
	294,390,299.35	258,930,551.59
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and for purchased goods	-157,945,741.48	-141,154,140.12
b) Cost of purchased services	-699,944.46	-1,301,803.83
6. Gross profits	135,744,613.41	116,474,607.64
7. Personnel expenses		
a) Wages and salaries	-40,591,528.33	-35,538,735.40
b) Social security and expenses for retirement benefits		
- of which for retirement benefits: € 573 thousand (previous year: € 827 thousand)	-9,470,239.26	-8,508,062.86
8. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-24,223,735.44	-19,842,802.23
9. Other operating expenses		
- of which from currency translation: € 2,157 thousand (previous year: € 2,317 thousand)	-28,972,192.20	-28,021,924.39
10. EBIT	32,486,918.18	24,563,082.76
11. Other interest and similar income	654,565.24	552,401.09
12. Abschreibungen auf Finanzanlagen und auf Wertpapiere des Umlaufvermögens	-14,653.86	0.00
12. Interest and similar expenses		
- thereof to affiliated companies € 30 thousand (previous year: € 40 thousand)	-1,895,103.95	-1,778,699.35
13. Financial result	-1,255,192.57	-1,226,298.26
14. Earnings before taxes	31,231,725.61	23,336,784.50
15. Income taxes	-6,118,284.98	-5,000,484.63
16. Earnings after taxes	25,113,440.63	18,336,299.87
17. Other taxes	-2,326,399.76	-2,176,202.41
18. Consolidated net income	22,787,040.87	16,160,097.46
19. Profit carried forward from previous year	48,158,843.59	35,519,612.38
20. Consolidated profits	70,945,884.46	51,679,709.84

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STEICO Consolidated Balance Sheet as of 31.12.2019

ASSETS

	31.12.2019	31.12.2018
	€	€
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets.	1,441,740.89	1,248,923.87
2. Advance payments made	0.00	186,648.66
	1,441,740.89	1,435,572.53
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third-party land	65,129,210.20	59,399,792.42
2. Technical plant and machinery	113,388,000.34	117,811,554.29
3. Other assets, operating and office equipment	2,539,257.88	2,497,207.98
4. Advances made and assets under construction	68,382,298.97	41,301,431.22
	249,438,767.39	221,009,985.91
III. Financial assets		
1. Interests in affiliated companies	2,097.82	2,076.07
2. Loans to affiliated companies	14,564.93	9,531.78
3. Other loans	175,228.47	211,700.00
	191,891.22	223,307.85
	251,072,399.50	222,668,866.29
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, consumables and supplies	21,634,287.64	20,143,087.22
2. Work in progress	2,012,512.28	1,570,822.17
3. Finished goods and merchandise	21,494,743.48	15,145,583.93
4. Advance payments made	77,724.83	132,325.48
	45,219,268.23	36,991,818.80
II. Receivables and other assets		
1. Trade receivables	21,540,194.44	20,967,996.79
2. Receivables from affiliated companies	2,104.35	11,454.86
3. Other assets	12,784,740.36	11,919,211.65
	34,327,039.15	32,898,663.30
III. Securities		
Other securities	71,150.37	3,354.07
IV. Cash in hand and bank balances		
	22,121,885.20	18,763,869.87
	101,739,342.95	88,657,706.04
C. PREPAID EXPENSES AND DEFERRED CHARGES		
	1,105,005.62	571,312.01
D. DEFERRED TAX ASSETS		
	652,829.00	1,187,706.66
	354,569,577.07	313,085,591.00

EQUITY AND LIABILITIES

	31.12.2019	31.12.2018
	€	€
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	-6,687,627.14	-9,615,513.60
V. Consolidated profits	70,945,884.46	51,679,709.84
	190,303,645.92	168,109,584.84
B. PROVISIONS		
1. Provisions for pensions and similar obligations	2,575,956.80	3,160,755.93
2. Provisions for taxes	3,708,819.67	3,212,869.37
3. Other provisions	9,779,909.18	9,561,933.76
	16,064,685.65	15,935,559.06
C. LIABILITIES		
1. Liabilities to banks	107,773,515.00	93,571,808.00
2. Advance payments received on account of orders	155,781.16	168,524.05
3. Trade payables	24,575,016.59	24,132,879.29
4. Accounts payable to affiliated companies	6,030,000.00	0.00
5. Other liabilities - of which from taxes: € 2,896 thousand (previous year: € 2,952 thousand) - of which for social security: € 2,491 thousand (previous year: € 2,146 thousand)	8,556,790.05	9,819,457.01
	147,091,102.80	127,692,668.35
D. DEFERRED INCOME	40,027.26	6,620.83
E. DEFERRED TAX LIABILITIES	1,070,115.44	1,341,157.92
	354,569,577.07	313,085,591.00

STEICO Consolidated cash flow statement for fiscal year 2019

	2019	2018
	€	€
I. CASH FLOW FROM OPERATING ACTIVITIES		
1. Earnings for the period (consolidated net income/loss)	22,787,040.87	16,160,097.46
2. +/- Amortization/depreciation of non-current assets	24,223,735.44	19,842,802.23
3. +/- Increase/decrease in provisions	-261,326.74	1,193,811.38
4. +/- Other non-cash expense/income	-129,394.58	-69,901.20
5. +/- Increase/decrease in inventories, trade receivables and other assets that are not allocated to investing or financing activities	-10,257,315.19	-661,441.20
6. +/- Increase/decrease in trade payables and other liabilities that are not allocated to investing or financing activities	5,230,133.88	2,468,384.41
7. +/- Gains/losses from the disposal of non-current assets	-48,905.46	56,716.11
8. +/- Interest expense/income	1,057,809.23	1,039,876.04
9. +/- Income tax expense/income	6,118,284.98	5,000,484.63
10. +/- Income tax payments	-5,358,499.50	-4,509,297.47
11. = Cash flow from operating activities	43,361,562.93	40,521,532.39
II. CASH FLOW FROM INVESTING ACTIVITIES		
1. - Payments made for investments in intangible non-current assets	-3,478,144.25	-1,677,122.98
2. + Proceeds received from disposals of items of property, plant and equipment	147,919.73	1,729,474.91
3. - Payments made for investments in property, plant and equipment	-46,814,788.64	-45,585,553.06
4. + Proceeds received from disposals of financial assets	36,471.53	0.00
5. - Payments made for investments in financial assets	-4,884.62	-1,171.40
6. + Interest received	654,565.24	552,401.09
7. = Cash flow from investing activities	-49,458,861.01	-44,981,971.44
III. CASHFLOW AUS DER FINANZIERUNGSTÄTIGKEIT		
1. Proceeds received from taking out (financial) loans	27,105,387.00	16,042,500.89
2. + Payments made from redeeming (financial) loans	-12,903,680.00	-13,122,252.00
3. - Interest paid	-1,817,871.44	-1,512,866.13
4. - Dividends paid to shareholders of the parent company	-3,520,866.25	-2,957,527.65
5. = Cash flow from financing activities	8,862,969.31	-1,550,144.89
IV. CASH AND CASH EQUIVALENTS		
1. Net change in cash and cash equivalents	2,765,671.23	-6,010,583.94
2. +/- Exchange-rate related change in cash and cash equivalents	592,344.10	-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	22,121,885.20	18,763,869.87

STEICO consolidated statement of changes in equity for fiscal year 2019

	Subscribed capital	Reserves		Difference in equity from currency translation	Consolidated profits	Consolidated equity
		Additional paid-in capital	Other retained earnings			
	€	€	€	€	€	€
As of 01.01.2018	14,083,465.00	104,911,923.60	7,050,000.00	-3,510,567.38	38,477,140.03	161,011,961.25
Dividends paid					-2,957,527.65	-2,957,527.65
Capital increase						0.00
Currency translation				-6,104,946.22		-6,104,946.22
Consolidated net income					16,160,097.46	16,160,097.46
As of 31.12.2018	14,083,465.00	104,911,923.60	7,050,000.00	-9,615,513.60	51,679,709.84	168,109,584.84
As of 01.01.2019	14,083,465.00	104,911,923.60	7,050,000.00	-9,615,513.60	51,679,709.84	168,109,584.84
Dividends paid					-3,520,866.25	-3,520,866.25
Currency translation				2,927,886.46		2,927,886.46
Consolidated net income					22,787,040.87	22,787,040.87
As of 31.12.2019	14,083,465.00	104,911,923.60	7,050,000.00	-6,687,627.14	70,945,884.46	190,303,645.92

STEICO Notes to the consolidated financial statements as of 31 December 2019

I. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. LEGAL FOUNDATIONS

The regulations set out in Sections 290 ff. of the Handelsgesetzbuch (HGB - German Commercial Code) apply for the consolidated financial statements. The consolidated financial statements are prepared based on legal requirements.

STEICO SE is registered in the commercial register at Munich Local Court with number HRB 195871. The company's registered office is Otto-Lilienthal-Ring 30, 85622 Feldkirchen.

2. GROUP STRUCTURE AND GROUP OF CONSOLIDATED COMPANIES

STEICO SE is obliged to prepare consolidated financial statements. With regards to consolidation STEICO SE follows the provisions of Sections 290 ff of the HGB. The balance date for the consolidated financial statements is the balance date for the annual financial statements for the parent company (Section 299 (1) of the HGB). The annual financial statements for the companies included in the consolidated financial statements were also prepared as of the 31 December 2019 (Section 299 (2) of the HGB). The consolidated financial statements were prepared using the annual financial statements for the companies included in consolidation. Seven (previous year: seven) subsidiaries are fully consolidated in the consolidated financial statements. Seven (previous year: seven) affiliated companies were not included in consolidation.

3. 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.

Since the 2019 financial year, liabilities to a shareholder are no longer reported under other liabilities but under liabilities to affiliated companies (€6,030 thousand; prior year: € 2,010 thousand) The prior year figures have not been adjusted.

The reclassification is intended to improve the clarity of presentation of the financial statements and has no impact on the company's net assets and financial position.

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. During the year under review interest for borrowing which serves to finance technical equipment and machinery and which is due to their period of manufacture in the amount of € 0 thousand (previous year: € 0 thousand) is capitalised as a component of manufacturing costs.

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. Movable fixed assets are depreciated over their useful lives of 3-19 years and buildings and outdoor facilities over 33 and 19 years, respectively.

Low-value items of property, plant and equipment with acquisition costs of up to € 800 have been written off immediately through profit and loss since 1 January 2019.

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 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.

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

4. CURRENCY TRANSLATION

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

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

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

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

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

The exchange rates for PLN/€ are:

Closing rate on 31 December 2019:	4.25680
Average rate in 2019:	4.29921

The exchange rates for GBP/€ are:

Closing rate on 31 December 2019:	0.85080
Average rate in 2019:	0.87583

5. CAPITAL CONSOLIDATION (SECTIONS 301, 309 OF THE HGB)

The capital of STEICO Sp. z o.o., SW Solar Czarna Woda Sp. z o.o., STEICO CEE Sp. z o.o., STEICO France SAS and STEICO UK Ltd. was consolidated according to Section 301 (1) No. 1 of the HGB according to the so-called book-value method. The capital of STEICO Casteljaloux SAS and STEICO JOIST Sp. z o.o was consolidated according to Section 310 (1) sentence 2 of the HGB according to the so-called revaluation method.

6. CONSOLIDATION OF INTERCOMPANY BALANCES (SECTION 303 OF THE HGB)

For the consolidation of intercompany balances the receivables and liabilities between the group companies were

STEICO Notes to the consolidated financial statements as of 31 December 2019

netted. Any exchange rate differences occurring during the consolidation of debt were taken directly to equity.

7. TREATMENT OF INTERCOMPANY PROFITS (SECTION 304 OF THE HGB)

Intercompany profits from deliveries and services which are not realised from a Group perspective are eliminated in the consolidated financial statements.

8. CONSOLIDATION OF INCOME AND EXPENSE

As part of the consolidation of income and expense all of the intra-group revenues from deliveries effected and services provided and other performance relationships are eliminated.

Anlagespiegel	Acquisition and historical cost					
	Balance as of 01.01.2019 €	Additions 2019 €	Disposals 2019 €	Reclassifications 2019 €	Exchange rate diff. 2019 €	Balance as of 31.12.2019 €
I. INTANGIBLE ASSETS						
1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets.	9,117,933.03	3,478,144.25	874.58	186,648.66	87,322.44	12,869,173.80
2. Advance payments made	186,648.66	0.00	0.00	-186,648.66	0.00	0.00
Total intangible assets	9,304,581.69	3,478,144.25	874.58	0.00	87,322.44	12,869,173.80
II. PROPERTY, PLANT AND EQUIPMENT						
1. Land, land rights and buildings including buildings on third-party land	80,255,334.03	3,819,706.60	16,191.95	4,458,745.54	734,252.35	89,251,846.57
2. Technical plant and machinery	215,971,143.52	10,530,488.32	815,127.68	547,673.76	2,172,910.24	228,407,088.16
3. Other assets, operating and office equipment	6,214,834.85	471,075.48	246,545.43	661,662.17	57,300.25	7,158,327.32
4. Advances made and assets under construction	41,301,431.22	32,122,912.82	64,035.28	-5,668,081.47	690,071.68	68,382,298.97
Total property, plant and equipment	343,742,743.62	46,944,183.22	1,141,900.34	0.00	3,654,534.52	393,199,561.02
III. FINANCIAL ASSETS						
1. Investments in affiliated companies	518,675.33	14,653.86	0.00	0.00	5,434.35	538,763.54
2. Loans to affiliated companies	32,796.30	4,884.62	0.00	0.00	392.28	38,073.20
3. Other loans	211,700.00	0.00	36,471.53	0.00	0.00	175,228.47
Total financial assets	763,171.63	19,538.48	36,471.53	0.00	5,826.63	752,065.21
Total non-current assets	353,810,496.94	50,441,865.95	1,179,246.45	0.00	3,747,683.59	406,820,800.03

II. INFORMATION ON THE CONSOLIDATED BALANCE SHEET

1. NON-CURRENT ASSETS

The changes in non-current assets in fiscal year 2019 can be seen in the statement of changes in non-current assets below (Section 284 (3) of the HGB).

Additions 01.01.2019 €	Accumulated amortization/depreciation			Balance as of 31.12.2019 €	Carrying amounts	
	Additions 2019 €	Disposals 2019 €	Exchange rate diff. 2019 €		Carrying amount 31.12.2019 €	Carrying amount 31.12.2018 €
7,869,009.16	3,481,788.02	874.58	77,510.31	11,427,432.91	1,441,740.89	1,248,923.87
0.00	0.00	0.00	0.00	0.00	0.00	186,648.66
7,869,009.16	3,481,788.02	874.58	77,510.31	11,427,432.91	1,441,740.89	1,435,572.53
20,855,541.61	3,062,344.11	16,191.95	220,942.60	24,122,636.37	65,129,210.20	59,399,792.42
98,159,589.23	16,598,935.30	811,298.59	1,071,861.88	115,019,087.82	113,388,000.34	117,811,554.29
3,717,626.87	1,080,668.01	215,395.53	36,170.09	4,619,069.44	2,539,257.88	2,497,207.98
0.00	0.00	0.00	0.00	0.00	68,382,298.97	41,301,431.22
122,732,757.71	20,741,947.42	1,042,886.07	1,328,974.57	143,760,793.63	249,438,767.39	221,009,985.91
516,599.26	14,653.86	0.00	5,412.60	536,665.72	2,097.82	2,076.07
23,264.52	0.00	0.00	243.75	23,508.27	14,564.93	9,531.78
0.00	0.00	0.00	0.00	0.00	175,228.47	211,700.00
539,863.78	14,653.86	0.00	5,656.35	560,173.99	191,891.22	223,307.85
131,141,630.65	24,238,389.30	1,043,760.65	1,412,141.23	155,748,400.53	251,072,399.50	222,668,866.29

STEICO Notes to the consolidated financial statements as of 31 December 2019

2. FINANCIAL ASSETS

The disclosure of interests in affiliated companies as well as loans to affiliated companies relates to several affiliated wind farm companies in Poland.

3. CURRENT ASSETS

Inventories

The standard industry reservation of ownership applies to the stocks of raw materials, consumables and supplies and merchandise.

Receivables and other assets

All receivables and other assets have a residual term of less than one year.

Other assets in the amount of € 12,785 thousand (previous year: € 11,919 thousand) includes VAT receivables in the amount of € 10,885 thousand (previous year: € 10,136 thousand), receivables from tax refunds in the amount of € 958 thousand (previous year: € 653 thousand), receivables from employees in the amount of € 342 thousand (previous year: € 300 thousand) and other assets in the amount of € 600 thousand (previous year: € 707 thousand).

4. PREPAID EXPENSES

Prepaid expenses include a difference according to Section 250 (3) of the HGB in the amount of € 731 thousand (previous year: € 323 thousand).

5. DEFERRED TAXES

On the balance sheet, deferred tax assets of € 653 thousand (previous year: € 1,188 thousand) were disclosed. In addition, there were deferred tax liabilities of € 1,070 thousand (previous year: € 1,341 thousand). These resulted from losses carried forwards and temporary differences to the tax base for the consolidated individual companies and are reflected in the following items on the balance sheet:

Balance sheet items in € thousand	Deferred tax assets	Deferred tax liabilities
Land	0	605
Buildings	0	293
Technical plant and machinery	21	131
Inventories	137	0
Trade receivables	55	2
Provisions for pensions	59	39
Other provisions	233	0
Other liabilities	15	0
Trade payables	0	1

Balance sheet items in € thousand	Deferred tax assets	Deferred tax liabilities
Tax loss carried forward	133	0
Total	653	1.070

Deferred taxes for the individual companies and for consolidation activities were identified using the country-specific tax rate for the companies included in which the temporary differences are to be balanced out in the coming years.

6. EQUITY

STEICO SE's share capital on 31 December 2019 totaled € 14,083 thousand. It comprises 14,083,465 no-par value bearer shares.

The Annual General Meeting held on 21 June 2018 resolved to cancel Authorised Capital 2015/I in the amount of €5,121 thousand and to create new Authorised Capital 2018/I in the amount of €7,042 thousand.

Authorised capital totaled € 7,042 thousand on 31 December 2018. The managing directors are authorised, until 20 June 2023 and with the approval of the Supervisory Board, to increase the share capital of STEICO SE within five years of the authorised capital being entered in the commercial register by a total of up to € 7,042 thousand via one or several issues of no-par value bearer shares with a theoretical interest of € 1.00 in the share capital against cash and/or non-cash contributions (Authorised Capital 2018/I).

Information on the majority shareholder according to Section 160 (1) No. 8 of the AktG.

In 2006 STEICO SE received the following notice from Schramek GmbH, Feldkirchen:

"According to Section 20 (1) and (4) of the AktG, we herewith inform you that we hold a direct majority interest in your company."

Difference in equity from currency translation

The difference in equity from currency translation in the amount of € -6,687 thousand (previous year: € -9,616 thousand) mostly comprises the currency translation effects from the subsequent consolidation of the Polish subsidiaries and the UK subsidiary from the currency translation for the 2019 financial statements according to the modified closing price method as well as netting differences from the consolidation of intercompany balances.

7. PROVISIONS

Provisions for pensions

The projected unit credit method was used to identify the actuarial amount to be carried as a liability. The interest rate, based on the corresponding average market interest rates for the past ten years, amounted to 3.21%. A salary trend of 2.0% or 2.5% was used for the subsidiaries. In addition, standard mortality tables in the respective countries were used.

Provisions for taxes

Provisions for taxes were formed in the amount of the anticipated tax payments and relate to income taxes for 2018 and 2019.

Other provisions

Other provisions in the amount of € 9,780 thousand (previous year: € 9,562 thousand) includes a provision for anniversary payments in the amount of € 306 thousand (previous year: € 242 thousand), provisions for bonus payments to customers in the amount of € 4,602 thousand (previous year: € 4,298 thousand), provisions for vacation entitlements in the amount of € 1.061 thousand (previous year: € 1.004 thousand), provisions for outstanding invoices in the amount of € 773 thousand (previous year: € 716 thousand) and the provision for preparation of the financial statements in the amount of € 90 thousand (previous year: € 116 thousand).

The other short and medium term liabilities to banks in the amount of € 97.4 million are uncollateralised as part of the syndicated credit agreement amended in September 2019 and newly drawn up in October 2019 as well as bilateral loan, with both STEICO SE as well as the Polish production companies STEICO Sp. z.o.o. and STEICO JOIST Sp. z.o.o. as well as the French production company STEICO Casteljaloux SAS being included as borrowers and guarantors. Other medium-term liabilities to banks in the amount of € 5 million relate to an unsecured bilateral loan. A medium-term liability in the amount of € 1.6 million and a long-term liability in the amount of € 3.8 million are collateralised via a land charge for UniCredit Bank AG entered in the land register.

Trade payables are not collateralised, with the exception of reservations of ownership standard in the industry.

8. LIABILITIES

In € thousand (previous year)	Total			
	31.12.201	Thereof with a remaining term of up to 1 from 1 - 5 more year years than 5 y.		
Liabilities to banks (previous year)	107,773 (93,572)	7,339 (19,688)	98,948 (72,884)	1,486 (1,000)
Advance payments received from orders (previous year)	156 (168)	156 (168)	0 (0)	0 (0)
Trade payables (previous year)	24,575 (24,133)	24,575 (24,133)	0 (0)	0 (0)
Accounts payable to affiliated companies (previous year)	6,030 (0)	6,030 (0)	0 (0)	0 (0)
Other liabilities (previous year)	8,557 (9,820)	8,347 (9,707)	210 (133)	0 (0)
Total (previous year)	147,091 (127,693)	46,447 (53,696)	99,158 (72,997)	1,486 (1,000)

STEICO Notes to the consolidated financial statements as of 31 December 2019

III. INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

The total cost (nature of expense) method was applied in the preparation of the income statement.

1. REVENUES

Revenues are broken down as follows:

Revenues by geographic markets according to Section 314 section 1, para. 3 of the HGB (in € thousand)

In € thousand	2019
Germany	97,995
Other EU countries	142,996
Rest of world	40,005
Total	280,996

Revenues by activity according to Section 314 section 1, para. 3 of the HGB (in € thousand)

In € thousand	2019
Wood-fibre insulation materials	176,033
Construction products (I-joists)	43,214
Special products	15,391
Timber wholesale	5,067
Natural fibre boards / hardboards	2,932
Construction products (Laminated veneer lumber)	31,861
Miscellaneous	6,498
Total	280,996

2. OTHER OWN WORK CAPITALISED

Other own work capitalised in 2019 amounted to € 129 thousand (previous year: € 70 thousand) This disclosure mostly relates to intercompany performance in connection with the creation of machinery and equipment

3. OTHER OPERATING INCOME

In € thousand	2019
Exchange rate gains	3,278
Income from the sale of CO ₂ emission rights	1
Income from insurance refunds	66
Offsetting non-cash payments	367
Income from the reversal of provisions	651
Income from the sale of property, plant and equipment	79
Other operating income	2,157
Total	6,599

4. OTHER OPERATING EXPENSES

In € thousand	2019
Write-downs of receivables	14
Building costs, rent, cleaning	1,332
Insurance, contributions, fees	3,521
Repairs and maintenance	5,298
Vehicle costs	3,489
Sales costs, advertising and travel expenses	3,577
Commission expenses	285
Operating costs	2,422
Administrative costs, IT	2,111
Telecommunication	241
Legal and consulting costs, court costs	776
Costs of preparing the annual financial statements	189
Exchange rate differences and costs of payment transactions	2,542
Miscellaneous other operating expenses	3,175
Total	28,972

The total amount of research and development costs for the fiscal year for the companies included in the consolidated financial statements totaled € 365 thousand. Other operating expenses include non-period expense which is of minor importance.

5. INTEREST RESULT

Interest expenses include expenses from discounting provisions in the amount of € 183 thousand (previous year € 186 thousand).

6. TAXES

Income taxes total € 6,118 thousand (previous year: € 5,000 thousand). This includes effective tax expenses of € 5,854 thousand (previous year: € 5,227 thousand), deferred tax liabilities of € 535 thousand (previous year: € 0 thousand) and deferred tax assets of € 271 thousand (previous year: € 227 thousand). Other taxes in the amount of € 2,326 thousand (previous year: € 2,176 thousand) mostly relate to property taxes in Poland and non-income related taxes in France.

IV. INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how cash in the group has changed during the course of the reporting year due to net cash inflows and outflows.

Other non-cash expense/income relates to own work capitalised.

Cash and cash equivalents can be found directly in the balance sheet item "cash in hand and bank balances" and exclusively comprises cash in hand and bank balances. There are no restrictions on disposal. Three are non non-cash investments or financing or business transactions.

V. OTHER DISCLOSURES

1. AUDITOR'S FEE

Information on the total fee charged by the auditor for the consolidated financial statements for fiscal year 2019 according to Section 314 (1) No. 9 of the HGB:

- a. Auditing services: € 80.0 thousand
Other services: € 13.5 thousand

2. OTHER FINANCIAL OBLIGATIONS

Other key financial obligations include:

In € thousand	2020 ff
Obligation from usufructuary rights (overall obligation of remaining term)	1,873
Obligations from rental agreements	466
Obligations from leasing	1,225
Obligations from contractually ordered capital expenditure	13,256
Total	16,820

Liabilities denominated in foreign currencies were translated using the average rate of exchange on the balance sheet date (PLN/€ 4.25680 GBP/€ 0.85080).

There are leasehold and usufructuary rights at STEICO Sp. z o.o for land with a term through to 2089. In the above list the respective overall obligations at the end of the term are shown based on the current conditions. The conditions may change over time.

The contractually ordered capital expenditure relates to property, plant and equipment (new construction and expansion of production capacity).

3. DERIVATIVE FINANCIAL INSTRUMENTS AND VALUATION UNITS

As part of its ordinary business activities the Group is exposed to relevant exchange rate and interest risks. This mostly relates to future purchases of raw materials, consumables and supplies in PLN, in particular wood, electricity and coal or gas, as well as personnel expenses in PLN. In addition, this relates to future financial receivables from the sale of merchandise in GBP and USD. In addition, there are risks from variable interest loans.

The financial instruments used for hedging are structured currency forwards in PLN, sterling and US dollars with, in some cases variable nominal exchange rate options, interest rate swaps with an exchange rate option and six interest rate swaps for the three-month and six-month EURIBOR and a fixed interest rate.

On the balance sheet date there were exchange rate transactions in PLN, GBP and USD with a nominal volume of up to PLN 6,758.87 million, up to GBP 23.68 million, and up to USD 19.20 million. Of the existing 108 transactions, 19 transactions have a negative present value of € 1.28 million. The remaining 89 transactions have a positive present value of € 18.27 million. In addition, there were six interest rate swaps on the three-month and six-month EURIBOR or a fixed interest rate for an amount of one times € 15.00 million, one times € 12.50 million, one times € 12.32 million, two times € 10 million and one times € 3.78 million. These have a negative present value of € 292 thousand. In order to determine the present values valuations by banks were used which identified the market values using recognised, internal valuation methods (mark to model valuation) based on current market data.

The option was used to verify certain economic hedge relationships by forming valuation units.

In so doing, micro-valuation units are between (structured) currency forwards and future purchases of goods in PLN (highly probable transactions).

On the balance sheet date 41 (structured) currency forwards with a positive present value of € 8.32 million and a nominal volume of up to PLN 1,337.66 million were included in the valuation units. The highly probable transactions are the future purchase of goods and personnel expenses for the Polish subsidiaries STEICO Sp. z o.o and STEICO JOIST Sp. z o.o., which will take place between 1/20 and 11/22 and which will compensate for each other with regard to exchange rate effects with hedge transactions with congruent terms and volumes.

STEICO Notes to the consolidated financial statements as of 31 December 2019

As a result of the business model, the business forecast and the business volumes performed in the past these are to be regarded as being highly probable to secure.

In addition, micro-valuation units are formed between three structured interest rate swaps (negative fair value: € 368 thousand) and liabilities to hedge the risk of changes to the interest rate (EURIBOR) for three bullet investment loans. These relate to quarterly interest payments through to 3 September 2019, 7 October 2021 and 1 October 2026 for a base amount of two times € 10 million and one time € 12.5 million.

These are shown on the balance sheet using the freeze method. Effectiveness is determined based on a critical term match.

4. AMOUNTS TO BE ASSIGNED TO A DIFFERENT FISCAL YEAR

According to Section 285 No. 32 of the HGB, income in the amount of € 651 thousand from the reversal of provisions and in the amount of € 79 thousand from the disposal of property, plant and equipment is to be allocated to a different fiscal year.

5. EVENTS OF PARTICULAR IMPORTANCE THAT OCCURRED AFTER THE BALANCE SHEET DATE.

From the beginning of March, measures were adopted worldwide to protect against the new corona virus, which restricted public life in many areas. Among other things, this led to the closure of shops, local restrictions on construction activity and temporary difficulties in goods logistics. However, apart from regions with particularly far-reaching restrictions, European construction activity has been able to continue for the most part free of disruptions. Production at STEICO's plants has only been slightly impacted to date. Production at the French plant in Casteljaloux was suspended for several days, but has since been restarted. Production at the Polish plants did not stop. For more information please refer to sector "Opportunity and risk report, forecast" within "Group management report for STEICO SE".

6. PROPOSAL FOR THE APPROPRIATION OF EARNINGS.

The managing directors propose that the net profits for the past year in the amount of € 35,351,092.40 be used to disburse a dividend of € 0.25 per dividend-entitled share. This corresponds to an amount of € 3,520,866.25, and the remaining amount of € 31,830,226.15 be carried forward to new account.

7. SUPERVISORY BOARD

STEICO's Supervisory Board comprises 5 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, to 27 June 2019

Prof. Heinrich Köster, Stephanskirchen, President of Rosenheim University, since 28 June 2019

Ms Katarzyna Schramek, Munich, attorney

Dr. Jürgen Klass, Munich, attorney

According to the company's articles of association, in 2019 a total of € 90 thousand was paid to the members of the Supervisory Board.

8. DIRECTORS

Mr. Udo Schramek, Munich, Chairman and Managing Director of STEICO SE

Managing director for Auditing, Marketing, Legal & HR, Research & Development, Technology, Quality Assurance, IT and Purchasing, Legal & HR and IT

Mr. Holger Jödecke, Munich, Managing Director for Processes and Quality Management, Legal, Personnel and IT, since 21 June 2018 also responsible for Production, Quality and Sustainability Management (to 31 December 2019)

Mr. Thorsten Leicht, Managing Director for Processes and Quality Management, Legal, Personnel and IT, since 21 June 2018 also responsible for Production, Quality and Sustainability Management (since 1 January 2020)

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

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

Mr. Milorad Rusmir, Kirchheim, Managing Director for Wood Wholesale

Mr. Heiko Seibert, Koblenz, Managing Director for Sales (to 31 December 2019)

Mr. Tobias Schindler, Sistrans (Austria), Managing Director for Sales (since 1 April 2020).

The directors received remuneration of € 5,345 thousand for their activities in 2019.

9. EMPLOYEES

The Group had an average of 1,806 employees in fiscal year 2019.

Division	Number of employees
Production	1,205
Sales	78
Administration	470
Assistants, temporary staff	53
Total	1,806

10. MUTTERUNTERNEHMEN UND KONZERNKREIS INKL. ANTEILSBESITZLISTE

Name und Sitz der Muttergesellschaft lauten:

STEICO SE
Otto-Lilienthal-Ring 30
85622 Feldkirchen

The following subsidiaries are included in the consolidated financial statements:

Name	Registered office	Amount of participating interest
STEICO Sp. z o.o.	Czarnków, Poland	100%
SW Solar Czarna Woda Sp. z o.o.	Czarnków, Poland	100%
STEICO CEE Sp. z o.o.	Czarnków, Poland	100%
STEICO JOIST Sp.z o.o.	Czarnków, Poland	100%
STEICO UK Ltd.	Caddington, United Kingdom	100%
STEICO France SAS	Brumath, France	100%
STEICO Casteljaloux SAS	Casteljaloux, France	100%

The information is based on the last fiscal year 2019 and on 31 December 2019.

In addition, there are the following affiliated companies:

Company	Registered office	Interest	Equity	2019 Result
STEICO Windpark Sp. z o.o.	Czarnków, Poland	61%	€ 699 thousand	€ -1 thousand
SW Szydłowo Sp. z o.o.	Czarnków, Poland	100%	€ -5 thousand	€ -1 thousand
SW Huta I Sp. z o.o.	Czarnków, Poland	100%	€ -2 thousand	€ -1 thousand
SW Huta II Sp. z o.o.	Czarnków, Poland	100%	€ -1 thousand	€ -1 thousand
SW Lubasz I Sp. z o.o.	Czarnków, Poland	100%	€ 0 thousand	€ -1 thousand
SW Lubasz II Sp. z o.o.	Czarnków, Poland	100%	€ -2 thousand	€ -1 thousand
STEICO-ENERGIA Sp. z o.o.	Czarnków, Poland	100%	€ -4 thousand	€ -1 thousand

The affiliated companies are not fully consolidated due to the minor importance of the individual companies and the companies together according to Section 296 (2) of the HGB.

They are not carried at equity due to their minor importance according to Section 311 (2) of the HGB.

Feldkirchen, 20.04.2020

Udo Schramek Uwe Klaus Lange Thorsten Leicht
Dr. David Meyer Milorad Rusmir Tobias Schindler

Independent auditor's opinion

INDEPENDENT AUDITOR'S OPINION

To STEICO SE, Feldkirchen

Audit opinions

We have audited the consolidated financial statements of STEICO SE, Feldkirchen, and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2019, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1 to December 31, 2019, and the notes to the consolidated financial statements, including a description of the accounting policies used. In addition, we have also audited the group management report for STEICO SE, Feldkirchen, for the fiscal year from 1 January to 31 December 2019.

According to our assessment based on the findings gained in the audit

- these accompanying consolidated financial statements comply in all material respects with German commercial law and provide a true and fair view of the net assets and financial position of the Group as of 31 December 2019 and of its results of operations for the fiscal year from 1 January to 31 December 2019 in accordance with German principles of proper accounting and
- the group management report accurately presents the Group's position as a whole. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) Sentence 1 of the HGB we declare that our audit did not lead to any objections concerning the proper nature of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). According to these rules and principles our responsibility is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" in our audit opinion. We are independent of the Group companies in accordance with German commercial law and professional regulations and

have fulfilled our other German professional obligations in accordance with these requirements. We are of the opinion that the audit evidence we have obtained provides a sufficient and reasonable basis for our audit opinions on the consolidated financial statements and the group management report.

Other information

The managing directors are responsible for the other information. The other information comprises

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report as well as our audit opinion.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, we are responsible for reading the other information and assessing whether the other information

- has material discrepancies with the consolidated financial statements, the group management report or with the knowledge acquired during the audit, or
- appear to be presented incorrectly in some other way.

Responsibility of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements, which comply in all material respects with German commercial law and also for the consolidated financial statements providing a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. In addition, the executive directors are responsible for internal controls, which they have determined as being necessary in line with the German principles of proper accounting in order to allow the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the

basis of the same accounting policy, except to the extent that this is contrary to fact or law.

In addition, the executive directors are responsible for preparing the group management report, which, on the whole, must accurately represent the group's situation, and which also is in line with the consolidated financial statements in all material respects, corresponds to German legal requirements and accurately presents the opportunities and risks of future growth. Furthermore, the executive directors are responsible for the preventative activities and measures (systems) that they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparation of the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

We aim to obtain sufficient certainty as to whether the consolidated financial statements as a whole is free from material - whether intentional or not - material misstatements, and whether the group management report, on the whole, accurately represents the group's situation, and is also in line with the consolidated financial statements and the findings obtained during the audit in all material respects, corresponds to German legal requirements and accurately presents the opportunities and risks of future growth, and also to issue an auditor's opinion which includes our audit opinions on the consolidated financial statements and group management report.

Sufficient certainty is a high degree of certainty, but does not guarantee that the audit, conducted in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always uncovers any material misstatements. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they will individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the group management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting policies adopted by the executive directors and the reasonableness of the estimates and related disclosures presented by the executive directors.
- we draw conclusions as to the appropriateness of the accounting policies adopted by the executive directors for the continuing operations of the company and, on the basis of the audit evidence obtained, whether there is significant uncertainty about events or circumstances that could give rise to material doubts about the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to point out, in our auditor's opinion, the respective information in the consolidated financial statements and the group management report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue its business activities.
- we assess the overall presentation, the structure and content of the consolidated financial statements including the notes as well as whether the consolidated financial statements present a true and fair view of the underlying business transactions and events so that the consolidated financial statements present a true and fair view of the financial position, net assets and results of operations for

Independent auditor's opinion

the group while observing the German principles of proper accounting.

- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the presentation of the group's situation that it offers.
- we perform audit procedures on the forward-looking statements in the group management report as presented by the executive directors. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions on which the forward-looking statements of the executive directors are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

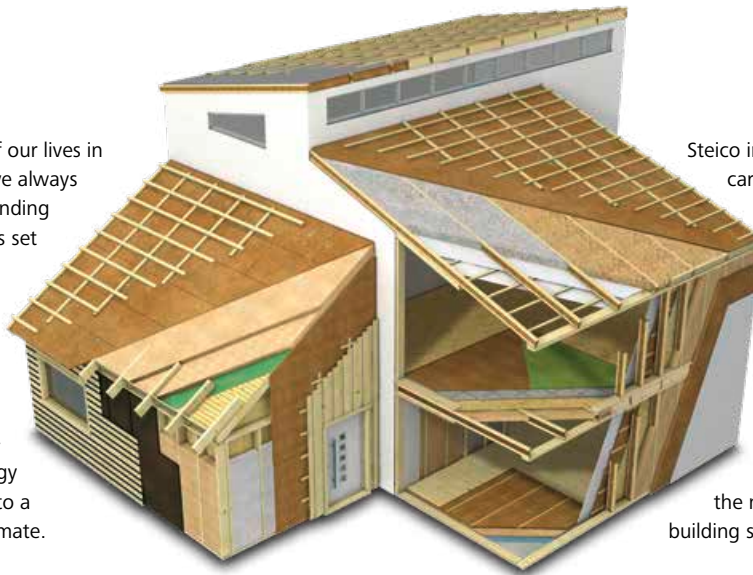
Munich, 24 April 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Dr. Thomas Reitmayr)
Auditor

(Philipp Kaschdan)
Auditor

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



STEICO
engineered by nature

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