

STEICO SE

Half-Year Report 2023

The green share

6M 2023

Slow first half with recovery at the end of the second quarter



Natural building products for **healthier living**

Slow first half with recovery at the end of the second quarter

6M 2023 Revenue growth in € millions



6M 2023 Gross Earnings growth in € millions



6M 2023 EBITDA growth in € millions



6M 2023 EBIT growth in € millions



6M 2023 EBT growth in € millions



6M 2023 Profit for the Period growth in € millions



ADDITIONAL KPIS

	6M 2023	2022	6M 2022
1. Total operating revenue in € millions	€ 188.4 million	€ 467.4 million	€ 242.5 million
2. EBITDA margin as a percentage of total operating revenue	16.0%	19.3%	20.8%
3. EBIT margin as a percentage of total operating revenue	8.5%	13.9%	15.9%
4. Equity ratio (as of 30 June or 31 December)	49.7%	53.5%	50.0%

Percentage changes and margins are calculated using non-rounded figures.

As was also the case in the first quarter of 2023, April and May were characterised by reserved behaviour by dealers and a further reduction in inventory levels. This was coupled with intensified competition in the wood-fibre insulation materials segment as well as the generally weak construction sector. Demand recovered in June, however the pace of growth was lower than original expectations.

Revenues in H1 2023 were down by 20.0% year-on-year to € 190.0 million. EBITDA totalled € 30.1 million, or 40.3% down on the previous year. In the case of EBIT a figure of € 16.0 million was recorded, which corresponds to a downturn of 58.3% year-on-year. The EBITDA margin in the first six months totalled 16.0%, the EBIT margin was 8.5%.

Despite the challenging environment, the company's management continues to believe that demand will recover in the second half of the year. The management is expecting revenues for the year as a whole to be down by 15% year-on-year, with EBIT of around 8% to 10% (compared to total operating revenue).

Company profile

STEICO develops, produces and markets ecological construction products made of renewable raw materials. STEICO is the global market leader for wood fibre insulation materials.

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 innovative wooden construction components and ecological insulation material supplement each other.

Laminated veneer lumber and I-joists form the structural components of the system. The insulation materials include flexible and stable wood fibre insulation panels, facade insulation materials, as well as cavity wall insulation made of wood fibres and cellulose.

Sealing products for the building shell complete the overall system.

The STEICO Group offers its customers a unique range of products through to the prefabrication of complete components for timber element construction.

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

Disclaimer

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

Growth of STEICO's shares

A. SHARE PRICE GROWTH IN 2023

STEICO's shares started the year with a price of € 44.50 on 2 January (Xetra closing price). During the following weeks, the share price increased slightly and on 15 February it reached the high for the first six months at € 56.30. The share price then showed varied growth until a forecast correction was published on 21 June, causing the share price to fall. The lowest price for the first half of the year was recorded on 27 June at € 27.40. STEICO's shares closed at a price of € 30.35 in Xetra trading on 29 June 2023. This corresponds to a decrease in value of 31.8% in the first six months.

STEICO's shares: Share price growth 6M 2023



B. INVESTOR RELATIONS

As was the case in previous years, STEICO SE engaged in open and direct communication with the capital markets in 2023, and was also in close contact with its shareholders. In 2023, 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 website www.STEICO.com/ir. Information on key events is disseminated via a well-known institution to comply with publicity obligations.

C. CAPITAL MARKETS DIARY 2023

5/6 January 2023	STEICO presented the company at the ODDO BHF Forum (Lyon)
7 February 2023	Publication of initial figures for 2022 as well as the outlook for 2023
16 March 2023	STEICO presented the company at the Berenberg EU Opportunities Conference (London)
14 May 2023	Publication of the 2022 annual report
14 May 2023	Publication of Q1 2023 report
16 May 2023	STEICO presented the company at the Morgan Stanley Conference Enablers of a Sustainable Built Environment (virtual conference)
15/16 June 2023	STEICO presented the company at the Warburg Highlights Conference (Hamburg)
23 June 2023	STEICO's General Meeting
24 July 2023	Publication of H1 2023 report
6 September 2023	STEICO presents the company at the Commerzbank / Oddo BHF Corporate Conference (Frankfurt / Main)
19-22 September 2023	STEICO presents the company at the Baader Investment Conference (Munich)
18 September 2023	STEICO presents the company at the Berenberg-GoldmanSachs Conference (Munich)
October 2023	Publication of Q3 2023 report
12 October 2023	STEICO presents the company at the m:access specialist conference for technology (Munich)

Group management report for the first half of 2023

STEICO SE, Feldkirchen

A. FUNDAMENTALS

I. STEICO SE'S BUSINESS MODEL

1. OVERVIEW

The STEICO Group develops, produces and markets ecological construction products made of renewable raw materials. STEICO is, in its own opinion, the global market leader compared to the relevant competitors in terms of revenues for wood-fibre insulation materials.

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 wooden construction components and insulation material supplement each other. These include flexible wood-fibre insulation materials, stable insulation boards, wood-fibre insulation boards for facade insulation (composite thermal insulation systems), cavity insulation made of wood fibre and cellulose as well as system-based products for insulating the building shell. The construction elements comprise I-joists and laminated veneer lumber. In addition, the STEICO Group also produces natural fibre boards (hard fibre boards) and is involved in timber wholesale. In the UK the group's product range also includes products for ceiling and floor construction.

The STEICO Group's production equipment also enable a wide variety of specialty products to be produced, such as door panels, pinboards, etc. which can be sold to a wide variety of industries.

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 product range comprises "natural wood-fibre insulation materials". In the first six months of 2023 the bulk of revenues (63.6%) were generated with ecological wood-fibre insulation materials and cavity insulation for insulating buildings and floors.

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

Wood-fibre insulation materials

STEICO's insulation materials are made of fresh softwood. These are used for new construction and renovation, where they protect against heat, cold and noise.

Wood-fibre insulation materials are produced at the manufacturing subsidiaries using various methods - including the wet and dry method. In both methods, wood is broken down into individual fibres using steam and mechanical treatment. The fundamental difference between the two methods is that in the wet method the wet fibres are processed (formed into boards) whereas in the dry method the fibres are dried before they are formed into boards. In the dry method, depending on the technology used, the fibres can be used for cavity insulation, flexible (compressible) bats or rigid insulation boards.

Air injected insulation

Air injected insulation comprises individual insulation fibres or flakes which are blown in into the building's cavities under high pressure, where they then compress. The STEICO Group produces and sells air injected insulation made of wood fibres and cellulose flakes.

Construction products: LVL (Laminated Veneer Lumber)

Laminated veneer lumber is a high-performance timber material comprising several layers of lumber veneer which are glued together. It is characterised by its particularly great rigidity and ability to bear loads while still offering dimensional stability. Laminated veneer lumber is used in construction as well as for industrial applications (for example in making doors and furniture). It forms a key component of I-joists (flange material).

Construction products: I-joists

I-joists are supporting components which are optically very similar to traditional double-T-joists. They comprise two "flanges" (square timber posts made of laminated veneer lumber) which are connected using a fibreboard. Some of the bridge material is purchased (OSB: Oriented Strand Board), but the majority is produced in-house (Natural Fibre 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.

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.

Timber wholesale

The STEICO Group operated in timber product wholesale in Germany. These products stemmed from the company's former orientation and these operations were continued with a low number of employees. This segment was discontinued as of 1 April 2023 when the responsible managing director Mr. Milorad Rusmir retired from the company due to his age.

STEICO UK Ltd. continues to run 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.

Natural fibre boards (hardboards)

The production of natural fibre boards is similar to the production of wood-fibre insulation materials from the wet method. The difference is that wet fibres are pressed to form stable boards using particularly high pressure. Natural fibre boards are sold to 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 services, vapour barriers and ETICS accessories.

Element production

In element construction, individual STEICO products (construction materials and insulating materials) are used 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 the pre-production of end-to-end

construction components are continuing 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.

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 preformed free of charge.

3. PROCUREMENT

In Poland, the fresh wood required to produce wood fibre products is mostly procured from the Polish State Forest. In France wood is procured on the free wood market. The timber 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, re-fabricated home construction companies, 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. In the first six months of 2023 the 10 largest customers accounted for 22.0% of revenues, and no single customer accounted for more than 6.1% of revenues. The company's management believes that it is not especially dependent on a single individual customer.

The STEICO Group sells its products world-wide, focusing on European markets.

Group management report for the first half of 2023

STEICO SE, Feldkirchen

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. 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. For current developments see B.II.1.

III. RESEARCH AND DEVELOPMENT

R&D activities in the first six months of 2023 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
- Further development of cellulose cavity insulation and combined cavity-insulation
- Developing and optimising the production of wet and dry method wood fibre 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 complete wall, roof and ceiling elements produced using the STEICO construction system
- Development of foaming insulation materials based on wood and sustainable raw materials
- Development of moulded pieces based on reformable wood-fibre mats

- Development of cyclical, fully recyclable insulation materials based on wood fibres
- Further development of the STEICO composite thermal insulation systems

Future R&D work will continue to focus on building the integrated construction system, a combination of wooden frame products and ecological insulation materials, and it should become more simple and efficient to put ecological construction projects in place.

B. ECONOMIC REPORT

I. OVERALL ECONOMIC AND INDUSTRY-SPECIFIC UNDERLYING CONDITIONS

1. ECONOMIC TREND

The higher level of interest rates and inflation is continuing to impact the European economy.

Growth in the European construction sector is varied, as is shown by current data from Eurostat, the European Statistics Authority, through to April 2023. Production in the construction sector was still positive in the EU in January (+0.3%) and February (+1.7%) compared to the previous year's months, however March (-1.0%) and April (-0.1%) recorded a negative development.¹

According to figures currently available, construction activities in Germany, the key market for the STEICO Group, fell through to April 2023. According to Destatis, the German Federal Statistics Office, the number of building permits granted from January to April 2023 fell by 27.3% compared to the same period of the previous year.² Order intake in the main construction sector fell in the first four months of 2023 by 16.9% compared to the period from January to April 2022. Construction revenue in the first four months of 2023 also decreased by 8.9% compared to the same period of the previous year.³ This downturn in order intake and construction projects in Germany continues to be driven by high costs for construction materials as well as the tense situation for construction financing.

¹ Source: Eurostat, Euroindikatoren, 71/2023, 20 June 2023

² Source: Destatis, press release no. 230, 16 June 2023

³ Source: Destatis, press release no. 244, 23 June 2023

In the timber construction sector, the carpentry and timber construction industry expects sales growth to be positive in 2023 at 4.0% as a result of the high order backlog in Germany.⁴ Positive signals are also visible with regard to political support: The German Cabinet passed the draft for a timber construction initiative presented by the Federal Minister for Construction Klara Geywitz in June 2023.⁵ This strategy by the Federal Government will ensure the use of timber as a sustainable raw material in the construction sector and ensure greater climate protection, efficient use of resources and faster construction.

A mixed picture in economic terms can be seen in STEICO SE's other core markets: In France, the number of building permits issued from January to May 2023 fell by around 30% compared to the same period of the previous year. However, in this regard we must note that the previous year was characterised by many projects being pulled forward as a result of a change in construction regulations that had been announced. In contrast, the renovation sector was stable in the first quarter of 2023, up by 1% compared to Q1/2022.⁶

According to data currently available, construction production in the United Kingdom increased by 4.6% from February to April 2023 compared to the same period of the previous year. This is due in particular to a significantly higher number of renovation projects (8.3%) from February to April 2023 compared to the same period of the previous year.⁷

COMPETITION

With regard to wood-fibre insulation materials, in the first six months of 2023 the most important competitors in the opinion of the company's management were Gutex (Germany), Soprema with its Pavatex brand (France), bestwood Schneider (Germany), Hunton (Norway) and Fibris (Poland).

Soprema has announced expansions to its capacity in Golbey (France) and Gutex has announced the same for its new location to the south of Freiburg, Germany. The company's management believes that these will lead to changes in competition at the earliest in the second half of 2023. Schillinger AG (new location close to Luzern, Switzerland) had announced that it will enter the market. This market entry appears to have been set back to 2024 due to a change in location.

STEICO SE's management believes that the most important competitors for I-joists in the first half of the year were Metsä (Finland), Masonite (Sweden) and James Jones (United Kingdom).

The most important competitors for laminated veneer lumber in the first six months of 2023 were, in the opinion of the company's management, Metsä (Finland), Stora Enso (Finland), Pollmeier (Germany).

4 Source: Holzbau Deutschland – Bund Deutscher Zimmermeister im Zentralverband des Deutschen Baugewerbes e.V., Management report 2023, 12 June 2023

5 Source: Federal Ministry for Housing, Urban Development and Construction, press release, 21 June 2023

6 Source: Federation Francaise Du Batiment, Conjoncture à fin juin 2023, 4 July 2023

7 Source: Office for National Statistics, Construction output in Great Britain: April 2023, 14 June 2023

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STEICO SE, Feldkirchen

II. COURSE OF BUSINESS

1. KEY EVENTS IN THE PERIOD BEFORE PUBLICATION OF THE SEMI-ANNUAL REPORT

Mr. Milorad Rusmir left the Executive Board

On 31 March 2023 Mr. Milorad Rusmir, who was responsible for timber wholesale, left the Executive Board due to his age. The managing directors and the members of the Administrative Board thank Mr. Rusmir for his long-standing commitment to STEICO. The timber wholesale segment, located in Germany, has been discontinued now that Mr. Rusmir has left the company. Timber wholesale activities are being continued in the United Kingdom.

Publication of an ad-hoc disclosure on 12 May 2023

On 12 May 2023 STEICO SE issued a statement (Insider Information) on current rumours on the market and confirmed that the indirect majority shareholder and CEO Udo Schramek was investigating strategic options with regard to the interests in STEICO SE due to him.

Publication of a forecast correction on 21 June 2023

On 21 June 2023, STEICO SE issued a statement (Insider Information) announcing a change to the annual targets given the changed market environment. The company is now expecting revenues for the year as a whole to be down by 15% year-on-year (previously: at previous year's level), with EBIT in relation to total operating revenue of around 8% to 10% (previously: 10% to 15%).

Change in the Executive Board as of 30 June 2023

On 30 June 2023 Mr. Uwe Klaus Lange, who was responsible for investment projects and plant engineering, left the Executive Board due to his age. Mr. Lange will continue to advise the company. The managing directors and the members of the Administrative Board thank Mr. Lange for his long-standing commitment to STEICO.

Mr. Roger Fränkel took over Investment and Plant Technology as managing director on 1 July 2023.

Sale of majority interests in STEICO SE

On 18 July 2023, STEICO SE issued a statement (Insider Information) stating that it has received a notice from its majority shareholder, Schramek GmbH, such that this company has signed an agreement concerning the sale of 51.0% of shares in STEICO SE with the Irish Kingspan Group

plc. and Kingspan Holding GmbH. In the first instance, 10.1% of shares will continue to be held by Schramek GmbH.

2. UNDERLYING CONDITIONS FOR PRODUCTION AND SALES

Market environment and competition

High construction prices and deteriorating financing conditions have depressed new construction activities on most of STEICO's sales markets, even if timber construction is still relatively robust. The renovation sector is still enjoying positive growth, however not at the pace expected at the start of the year. In particular in Germany, insecurity concerning the unclear policy for subsidies is having a dampening effect.

At the same time, competition continues to be tense. The lower demand coupled with the entry of a new competitor is putting pressure on sales prices.

Growth of procurement prices

On the procurement side, price increases appear to have peaked. Costs are falling for wood, energy and aggregates can be seen, however to date only to a slight extent.

Investment project Gromadka

Installation work has progressed well at the new production location in Gromadka (Poland), so that the production of the first insulation boards is expected to start in the third quarter of 2023.

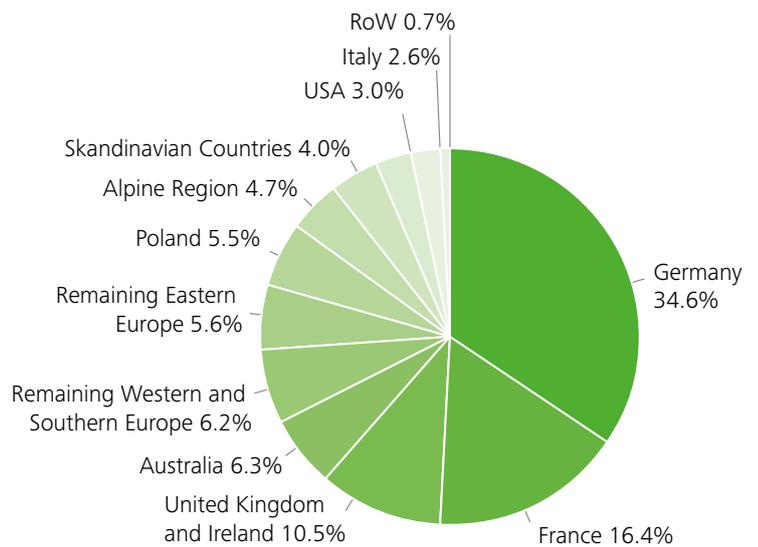
3. COURSE OF BUSINESS⁸

In Germany, revenues in H1 2023 were down by 31.4% to €65.6 million compared to the same period of the previous year (previous year: € 95.7 million). In France, the second largest market, revenues of €31.1 million were recorded. This figure is thus up slightly by 0.6% (previous year: €31.0 million). In the UK and Ireland, the third largest market, revenues fell to € 20.0 million, down by 14.3% (previous year: € 23.3 million). The markets are characterised by the current weak construction economy.

Positive growth was recorded in Australia (up 2.9%) with revenues of € 11.9 million (previous year: € 11.6 million) as well as the USA (up 28.9%) with revenues of € 5.6 million (previous year: € 4.4 million). Both markets are characterised by the majority of exports of construction products or specialty products.

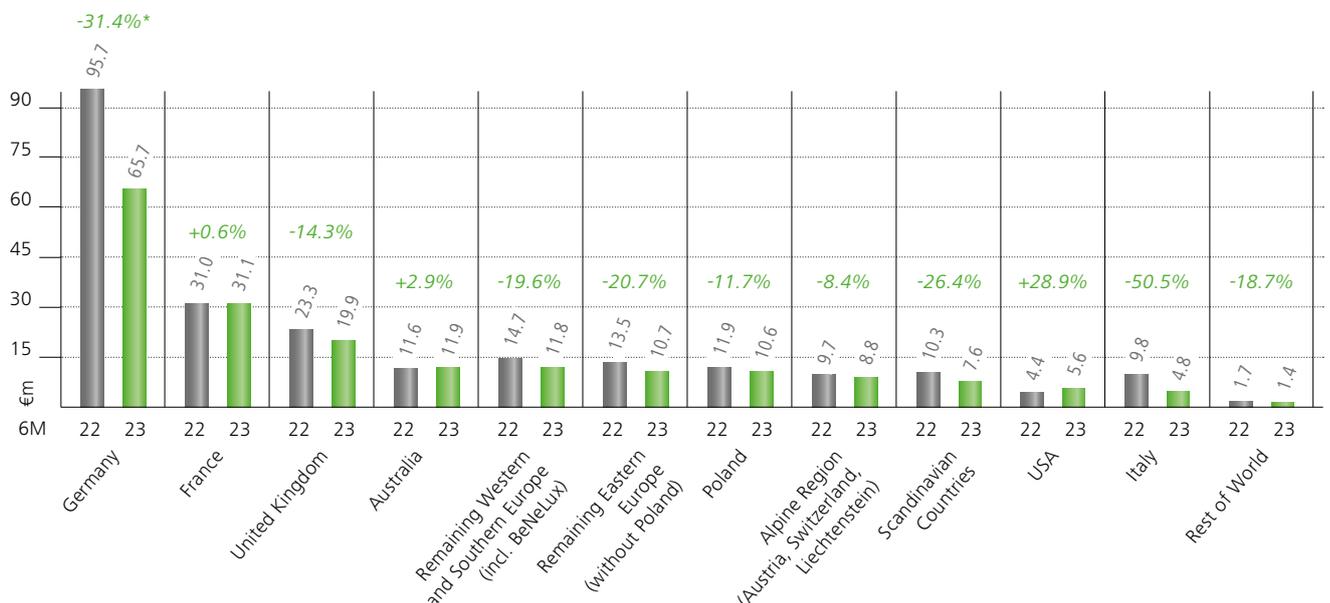
In Italy revenues fell by 50.5% to €4.8 million (previous year: € 9.8 million). Compared to the previous year, the discontinuation of the subsidy program for energy-related renovation projects made itself felt.

6M 2023: Ratio Revenues by Markets



⁸ All information on revenue breakdown by market and the year-on-year change rates are calculated based on non-rounded figures.

6M 2023: Development Sales by Markets in € million



* Rate of change from 2022 to 2023

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STEICO SE, Feldkirchen

4. GROWTH OF PRODUCT SEGMENTS⁹

The sale of ecological insulation materials and air injected insulation for building insulation and flooring is STEICO SE's core business and accounted for 63.6% of total revenues in 2023 (€ 120.9 million, previous year: €157.8 million). This corresponds to a decrease of 23.4%.

Sales of I-joists declined in the first half of 2023 with revenues of € 27.0 million (previous year: €35.1 million). This corresponds to 14.2% of revenues and a downturn of 23.1%.

In H1 2023 sales of laminated veneer lumber amounted to € 21.6 million (previous year: € 22.9 million) or around 11.3% of total revenues. This corresponds to a downturn of 6.0%.

Insulation materials and construction products have been particularly impacted by the weak construction sector.

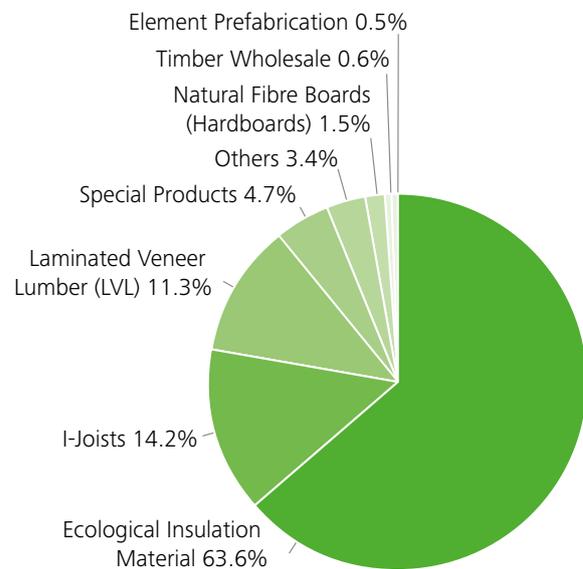
In H1 2023 sales of specialty products amounted to €9.0 million (previous year: €8.8 million) or around 4.7% of total revenues. This corresponds to an increase of 2.6%. Specialty products are mostly used in the industrial sector and are thus not impacted by the construction economy.

In the others segment revenues in H1 2023 amounted to €6.5 million (previous year: € 9.1 million). This corresponds to 3.4% of revenues and a downturn of 28.5%. Here too, the weak construction economy is making itself felt.

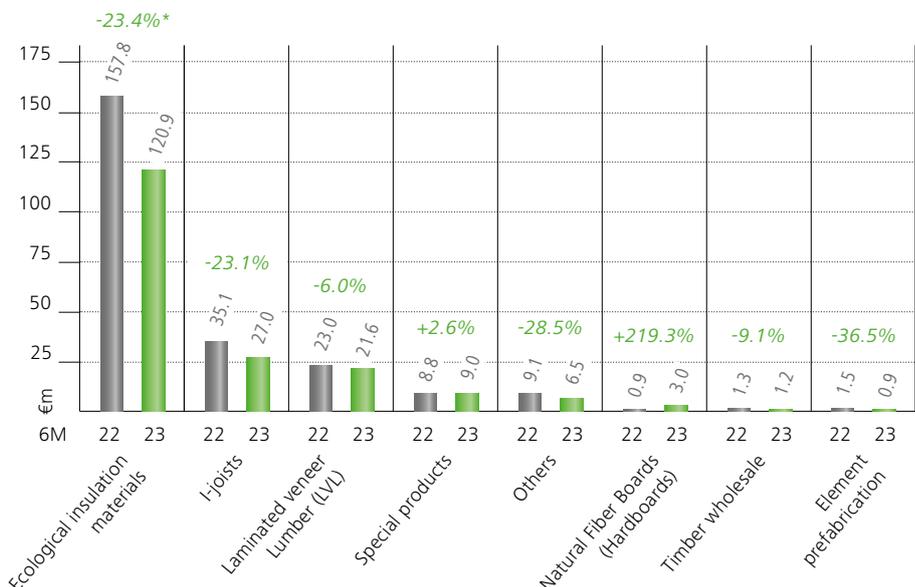
⁹ All information on revenue breakdown by product segment and the year-on-year change rates are calculated based on non-rounded figures.

External sales with natural fibre boards were substantially positive in the first half of 2023. This product group accounted for €2.9 million or around 3.4% of total revenues (previous year: € 0.9 million). This corresponds to an increase of 219.3%. The Russia/Ukraine war means that fewer goods are available for import from this region at the present time.

6M 2023: Ratio Revenues by Products



6M 2023: Development Sales by Product Groups in € million



* Rate of change from 2022 to 2023

The timber wholesale segment recorded revenues of € 1.2 million (previous year: € 1.3 million). This figure was down by 9.1% year on year and accounts for 0.6% of total revenues. This division was discontinued in Germany as of 1 April due to its minor importance. Timber wholesale activities continue to be operated in the United Kingdom to round off the product range.

Revenues in the element production segment totalled € 0.9 million in the first six months of 2023 (previous year: € 1.5 million). This corresponds to 0.5% of revenues and a downturn of 36.5%. This is primarily due to typical fluctuations in project business.

III. FINANCIAL POSITION, NET ASSETS AND RESULT OF OPERATIONS

1. RESULTS OF OPERATIONS

Compared to the same period of the previous year (€ 237.5 million), revenues fell by 20.0% to € 190.0 million. Total operating revenue amounted to € 188.4 million and was thus 22.3% lower than the previous year's figure of € 242.5 million.

The cost of materials in the first six months decreased to € 118.1 million (previous year: € 141.7 million). The cost of materials ratio has thus increased to 62.7%¹⁰ (previous year: 58.4%). This is mostly due to higher input prices.

Personnel expenses in the first six months fell to € 31.9 million (previous year: € 33.5 million). The personnel expenses ratio in 2022 totalled 16.9%¹¹ (previous year 13.8%).

Other operating expenses in the first half of the year fell to € 20.8 million (previous year: € 22.1 million). The ratio totalled 11.0%¹² (previous year 9.1%).

2. FINANCIAL POSITION AND NET ASSETS

Consolidated total assets increased substantially by around € 594.5 million as of 30 June 2023 compared to € 509.1 million on 31 December 2022. Property, plant and equipment increased to € 416.6 million (31.12.2022: € 360.5 million), which is due to factors including the continuing investments in increasing capacity and production efficiency.

As of 30 June 2023 inventories were up to € 68.5 million (31.12.2022: € 68.3 million). During the coming months this item is expected to fall further due to the anticipated recovery in demand.

Receivables and other assets increased substantially to € 72.5 million as of 30.6.2023 (31.12.2022: € 47.9 million). This increase is due in particular to the seasonally-related high order volume.

On 30 June 2023 the item cash in hand and bank balances amounted to € 22.3 million (31.12.2022: € 24.2 million).

On the equity and liabilities side, equity increased to € 295.6 million (31.12.2022: € 272.2 million). The equity ratio amounted to 49.7% (31.12.2022: 53.5%).

Liabilities to banks increased to € 199.7 million (31.12.2022:

¹⁰ Cost of materials to total operating revenue

¹¹ Personnel expenses to total operating revenue

¹² Other operating expenses to total operating revenue

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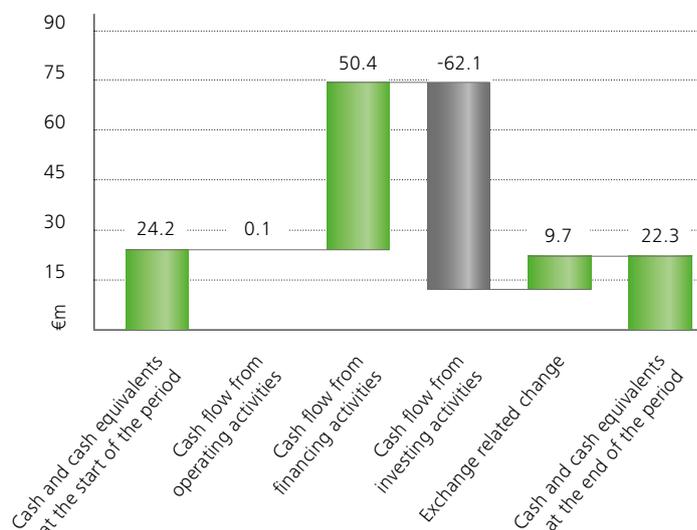
€ 142.2 million) which is due to liquidity being drawn down from the syndicated credit agreement. The key capital expenditure project in the first six months was establishing a new production site in Gromadka (Poland).

On 30 June 2023 date the group companies had credit lines of € 7.50 million available at standard market conditions. In addition, a credit limit for currency exchange transactions and derivatives was granted, in order to be able to perform the hedging transactions required for operating business.

Furthermore, as of 30 June 2023 provisions increased by € 38.9 million (31.12.2022: € 35.4 million).

3. LIQUIDITY

6M 2023: Cash Flows in € millions



Cash flow from operating activities

During the first six months, the STEICO Group recorded cash flow from operating activities of € 0.1 million (2022: € 65.5 million).

Cash flow from investing activities

The cash flow from investing activities totalled € -62.1 million in the first half of 2023 (full year 2022: € -88.0 million) and is mostly governed by payments for investments in property, plant and equipment. The investments in the new production site in Gromadka (Poland) constitute the largest investment blocks.

Cash flow from financing activities

The cash flow from financing activities is positive in the first six months of 2023 at € 50.4 million (full year 2022: € 14.0 million). This change is mostly based on funds from financial loans being taken up.

As of 30 June 2023 the STEICO Group's cash and cash equivalents totalled € 22.3 million (01.01.2023: € 24.2 million) which is held in overnight money, fixed-term deposits and current account balances. The Group pursues an investment strategy to minimise risks, aiming to secure liquidity for use for further investments.

Summary of the economic position

In the first six months of the year, the STEICO Group's revenues were down by 20.0% and currently lower than the adjusted forecast for the year, which assumes revenues falling by 15% compared to 2022 as a whole. This downturn is due to the slower construction economy, intensified competition as well as the continued reservation being shown by STEICO's dealers, who are continuing to operate with lower inventories. Management expects demand to recover in the second half of the year.

Results were within the adjusted forecast bandwidth of 8-10% with an EBIT margin of 8.5% (in relation to total operating revenue).

Despite the current challenges, in the opinion of the company's management, the STEICO Group is in an excellent position for future growth as a result of its product range, its large, well-integrated production locations and more intense sales activities. Both the income statement and balance sheet show a healthy group with continued major growth potential.

On the whole, the STEICO Group has a future-oriented business model and solid financing, and in the opinion of the company's management it will continue its on-track growth over the long term.

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

STEICO is a member of the DGNB (German society for sustainable construction) and thus supports the development of sustainable construction solutions.

In addition an environmental management system according to ISO 14001:2015 has been introduced at the Polish production plants.

In addition, the STEICO Group has published an annual sustainability report since 2018, and since 2019 this has been based on the internationally recognised reporting standard GRI (Global Reporting Initiative). In 2022 it was published in line with the GRI Core Standard.

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 timber construction system. STEICO thus aims to continue its relevant environmental certification and to expand on this.

IV. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

1. NON-FINANCIAL PERFORMANCE INDICATORS

The following non-financial performance indicators are collected and evaluated, but are not used to control the company in detail.

Environmental issues

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 organisation PEFC (Programme for the Endorsement of Forest Certification).

The IBR® seal means that STEICO's insulation materials have a recognised seal of quality for environmentally friendly, safe and functional construction products.

C. OPPORTUNITY AND RISK REPORT, FORECAST

The statements in the opportunity and risk report as well as in the forecast include a certain degree of forecasting uncertainty by their very nature. Please refer to STEICO's 2022 annual report for a detailed presentation of opportunities and risks.

I. FORECAST

Despite the challenging environment, the company's management continues to believe that demand will recover in the second half of the year. The management is expecting revenues for the year as a whole to be down by 15% year-on-year, with EBIT of around 8% to 10% (compared to total operating revenue).

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Consolidated income statement for the first half of 2023

Consolidated financial statements STEICO SE, Feldkirchen

	H1 2023	H1 2022
	€	€
1. Revenues	190,026,674.29	237,472,760.96
2. Increase in finished goods and work in progress	-1,855,487.61	4,381,701.82
3. Other own work capitalised	269,505.44	666,688.61
	188,440,692.12	242,521,151.39
4. Other operating income	12,412,097.48	5,068,281.50
	200,852,789.60	247,589,432.89
5. Cost of materials		
a) Cost of raw materials and supplies and for purchased goods	-117,649,694.55	-141,592,987.02
b) Cost of purchased services	-421,920.32	-72,272.46
6. Gross earnings	82,781,174.73	105,924,173.41
7. Personnel expenses		
a) Wages and salaries	-25,562,871.88	-27,595,327.22
b) Social security and expenses for retirement benefits	-6,306,458.65	-5,858,435.17
8. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-14,072,309.00	-11,950,635.15
9. Other operating expenses	-20,796,683.31	-22,060,727.10
10. EBIT	16,042,851.89	38,459,048.77
11. Other interest and similar income	241,488.81	234,923.77
12. Interest and similar expenses	-2,683,972.70	-697,199.73
13. Financial result	-2,442,483.89	-462,275.96
14. Earnings before taxes (EBT)	13,600,368.00	37,996,772.81
15. Income taxes	-2,848,811.22	-9,681,478.10
16. Earnings after taxes	10,751,556.78	28,315,294.71
17. Other taxes	-1,717,816.31	-1,431,621.40
18. Consolidated net income	9,033,740.47	26,883,673.31
19. Profit carried forward from previous year	170,926,348.70	128,699,550.25
20. Consolidated profits	179,960,089.17	155,583,223.56

Consolidated balance sheet as of 30 June 2023

Consolidated financial statements STEICO SE, Feldkirchen

ASSETS

	30 June 2023	31 December 2022
	€	€
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.	6,736,262.92	4,819,776.02
2. Advance payments made	2,312,468.95	1,376,362.84
	9,048,731.87	6,196,138.86
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third-party land	113,237,062.16	105,915,941.04
2. Technical plant and machinery	157,462,432.44	155,050,734.23
3. Other assets, operating and office equipment	2,831,065.70	2,275,419.41
4. Advances made and assets under construction	143,041,909.57	97,300,198.25
	416,572,469.87	360,542,292.93
III. Financial assets		
1. Investments in affiliated companies	0.00	0.00
2. Loans to affiliated companies	18,473.46	17,518.37
3. Other loans	8,000.00	10,000.00
	26,473.46	27,518.37
	425,647,675.20	366,765,950.16
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, consumables and supplies	33,553,086.25	32,843,681.12
2. Work in progress	2,770,497.36	3,335,038.78
3. Finished goods and merchandise	31,982,717.72	31,806,809.80
4. Advance payments made	201,416.79	316,207.61
	68,507,718.12	68,301,737.31
II. Receivables and other assets		
1. Trade receivables	44,582,345.53	30,740,613.84
2. Receivables from affiliated companies	864.85	3,007.25
3. Other assets	27,825,019.74	17,173,021.97
	72,408,230.12	47,916,643.06
III. Securities		
Other securities	375,921.59	131,323.74
IV. Cash in hand and bank balances		
	22,344,466.30	24,232,390.68
	163,636,336.13	140,582,094.79
C. PREPAID EXPENSES	4,099,411.92	729,439.54
D. DEFERRED TAX ASSETS	1,044,514.66	992,687.84
	594,427,937.91	509,070,172.33

Consolidated balance sheet as of 30 June 2023

Consolidated financial statements STEICO SE, Feldkirchen

EQUITY AND LIABILITIES

	30 June 2023	31 December 2022
	€	€
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	-10,450,733.33	-30,442,788.83
V. Consolidated profits	179,968,089.20	176,559,710.52
	295,534,744.47	272,162,310.29
B. PROVISIONS		
1. Provisions for pensions and similar obligations	3,355,486.02	2,880,129.84
2. Provisions for taxes	11,677,860.80	13,521,354.80
3. Other provisions	23,837,226.61	19,042,143.99
	38,870,573.43	35,443,628.63
C. LIABILITIES		
1. Liabilities to banks	199,671,593.04	142,402,611.98
2. Advance payments received on account of orders	42,998.51	737,911.67
3. Trade payables	28,118,409.28	37,854,015.98
4. Liabilities to affiliated companies	3,026,250.01	3,015,000.00
Other liabilities	21,405,529.42	11,784,181.54
	252,264,541.98	195,793,721.17
D. DEFERRED INCOME		
	6,446,196.78	4,395,694.04
E. DEFERRED TAX LIABILITIES		
	1,291,881.25	1,274,818.20
	594,427,937.91	509,070,172.33

Consolidated cash flow statement for the first half of 2023

Consolidated financial statements STEICO SE, Feldkirchen

	01.01.-30.06.23	01.01.-31.12.22
	€	€
I. CASH FLOW FROM OPERATING ACTIVITIES		
1. Earnings for the period (Consolidated net income/loss)	9,033,764.72	47,860,160.27
2. +/- Amortisation/depreciation of non-current assets	14,072,309.00	24,846,538.19
3. +/- Increase/decrease in provisions	3,871,406.80	649,111.21
4. +/- Other non-cash expense/income	-269,505.44	-781,167.37
5. +/- Increase/decrease in inventories, trade receivables and other assets that are not allocated to investing or financing activities	-28,312,138.10	-26,540,566.04
6. +/- Increase/decrease in trade payables and other liabilities that are not allocated to investing or financing activities	1,252,342.49	12,887,130.51
7. -/+ Gains/losses from the disposal of non-current assets	-65,530.16	10,669.92
8. +/- Interest expense/income	2,442,483.89	1,535,035.86
9. +/- Income tax expense/income	2,848,811.22	12,913,479.00
10. -/+ Income tax payments	-4,727,068.99	-7,749,934.36
11. = Cash flow from operating activities	146,875.43	65,630,457.19
II. CASH FLOW FROM INVESTING ACTIVITIES		
1. - Payments made for investments in intangible non-current assets	-17,895,586.60	-9,212,896.53
2. + Proceeds received from disposals of items of property, plant and equipment	7,226,358.17	5,449,374.58
3. - Payments made for investments in property, plant and equipment	-51,647,630.37	-84,661,212.94
4. + Proceeds received from disposals of financial assets	2,000.00	8,455.35
5. - Payments made for investments in financial assets	0.00	-5,800.00
6. + Interest received	241,488.81	466,952.24
7. = Cash flow from investing activities	-62,073,369.99	-87,955,127.30
III. CASH FLOW FROM FINANCING ACTIVITIES		
1. + Proceeds received from taking out (financial) loans	57,383,267.06	35,000,000.00
2. - Payments made from redeeming (financial) loans	-114,286.00	-13,817,352.98
3. - Interest paid	-1,284,940.70	-1,577,302.12
4. - Dividends paid to shareholders of the parent company	-5,633,386.00	-5,633,386.00
5. = Cash flow from financing activities	50,350,654.36	13,971,958.90
IV. CASH AND CASH EQUIVALENTS		
1. Net change in cash and cash equivalents	-11,575,840.20	-8,352,711.21
2. +/- Exchange-rate related change in cash and cash equivalents	9,687,915.82	-143,489.19
3. + Cash and cash equivalents - start of period	24,232,390.68	32,728,591.08
4. = Cash and cash equivalents - end of period	22,344,466.30	24,232,390.68

Notes to the consolidated financial statements for the first half of 2023

Consolidated financial statements STEICO SE, Feldkirchen

I. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. LEGAL FOUNDATIONS

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

2. CONSOLIDATED ACCOUNTING AND VALUATION METHODS

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

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

The following individual accounting and valuation methods were applied

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

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

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

Low-value items of property, plant and equipment with acquisition costs of up to € 800 have been written off immediately through profit and loss since 1 January 2011.

As a rule, financial assets are carried at cost or, in the event of permanent impairment, at their lower fair value on the balance sheet date.

If the reasons for maintaining a lower carrying amount no

longer apply, these are written up according to Section 253 (5) sentence 1 of the HGB.

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

As a rule, receivables and other assets are carried at face value.

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

Securities under current assets are carried at acquisition cost or at their lower fair value.

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

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

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

Provisions for pensions are calculated on the balance sheet date in line with Section 253 (2) of the HGB using the projected unit credit method based on an average market interest rate and an assumed residual period of 15 years. This is calculated and announced by Deutsche Bundesbank in line with the corresponding legal provisions.

Provisions for taxes and all other provisions are formed for all recognizable risks and uncertain liabilities in the amount required for fulfilment according to prudent commercial judgement. The amount required for fulfilment 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.

Currency translation

Receivables and liabilities denominated in foreign currencies are translated using an exchange rate close to the actual date or 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 was translated at historical 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 30 June 2023:	4.4388
Average rate in 2023:	4.6081

The exchange rates for GBP/€ are:

Closing rate on 30 June 2023:	0.8583
Average rate in 2023:	0.8733

3. BOARD OF DIRECTORS

STEICO's Board of Directors comprises four members.

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

Prof. Heinrich Köster, Stephanskirchen, President of Rosenheim University

Ms Katarzyna Schramek, Munich, attorney

Dr. Jürgen Klass, Munich, attorney

4. 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

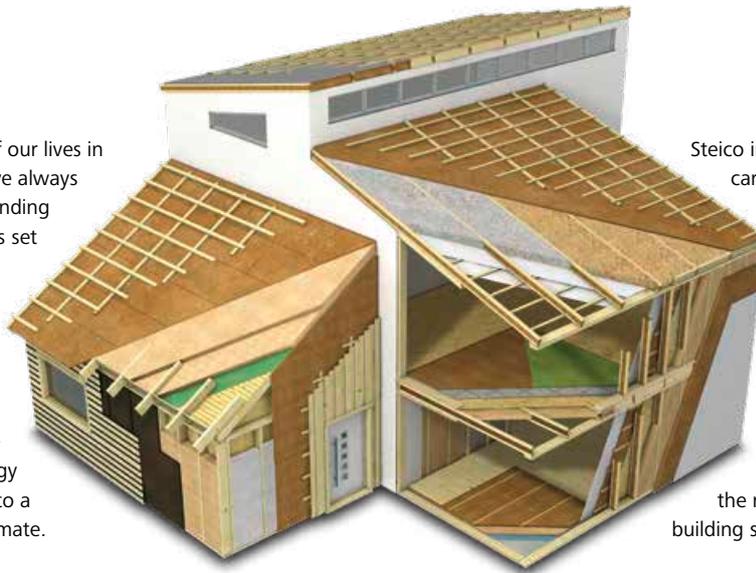
Mr. Thorsten Leicht, Managing Director for Processes and Quality Management, Production, Quality and Sustainability Management

Mr. Roger Fränkel, Abensberg, Managing Director for Investments and Equipment Technology

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

Mr. Tobias Schindler, Sistrans (Austria), Managing Director for Sales.

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



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

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



Renewable raw materials without harmful additives



Excellent cold protection in winter



Excellent summer heat protection



Energy Saving and increased property worth



Weather tight and breathable



Excellent Fire Protection



Excellent sound protection



Environmentally friendly and recyclable



Light and easy to handle



Insulation for healthy living



Strong quality control



Compatible insulation and structural building systems



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