

P R E S S R E L E A S E

Sto SE & Co. KGaA, Stühlingen/Germany

- **Currency effects dampen growth in the Sto Group**
- **Consolidated turnover up by 1.1 % to EUR 624.5 million in the first six months**
- **Group-wide turnover in Germany increases by 3.4 % to EUR 275.8 million; volume outside of Germany decreases slightly by 0.6 % to EUR 348.7 million**
- **Continuing cost increases in procurement have a negative impact on earnings**
- **Consolidated EBIT decreases by 27.5 % to EUR 23.2 million and earnings before taxes (EBT) by 26.4 % to EUR 22.9 million**
- **Number of employees up by 51 to 5,381 employees as compared to mid-year 2017**
- **Outlook for the year 2018 as a whole unchanged: increase in turnover of 4.4 % to around EUR 1,333 million and EBIT of between EUR 80 million and EUR 90 million expected**

Stühlingen/Germany, 31 August 2018 – In the second quarter of 2018, Sto SE & Co. KGaA was able to compensate for the weather-related declines in turnover recorded until the end of March and achieve a total **growth in turnover** of 1.1 % to EUR 624.5 million (previous year: EUR 617.5 million) in the first six months. However, the organic increase was diminished by significant negative currency translation effects which amounted to a total of EUR -11.9 million in the reporting period. Adjusted for these effects, this results in an increase in turnover of 3.1 % as compared to the 2017 reference period.

In **Germany**, the Sto Group achieved a Group-wide increase of 3.4 % to EUR 275.8 million (previous year: EUR 266.8 million) until the end of June 2018. **Outside of Germany**, turnover decreased by 0.6 % to EUR 348.7 million (previous year: EUR 350.7 million). The percentage of Group turnover generated

abroad amounted to 55.8 % as compared to 56.8 % in the same period of the previous year.

Despite the extreme summer heat that had hit some markets and despite continuing negative effects from currency translations, business development in **July 2018** was in line with expectations.

The continuing cost increases in procurement significantly impacted the **development of income** in the first half of 2018. Procurement costs for raw material and purchased products, which had already begun to increase considerably in 2017, continued to rise. Hence, material costs grew by a total of 4.7 % to EUR 292.3 million (previous year: EUR 279.2 million). In order to compensate for the ongoing cost pressure in purchasing, sales price increases were a particular focus of the sales force in the first half of 2018. However, these increases have not yet had a sufficient effect so that the gross margin rate of the Sto Group declined significantly from 54.8 % in the previous year to 53.2 %. On the whole, compared to the same period the previous year, earnings before interest and taxes (EBIT) fell by 27.5 % to EUR 23.2 million, earnings before tax (EBT) by 26.4 % to EUR 22.9 million, and net earnings in the Group by 24.9 % to EUR 15.7 million.

As usual, the Sto Group's **financial and asset situation** in the first half of 2018 was affected by the seasonal nature of business. There is always a particular need for cash in the first few months of a calendar year, whereas cash inflows dominate during the second half of the year. As at 30 June 2018, Sto SE & Co. KGaA reported net-financial assets of EUR 28.5 million (31 Dec 2017: EUR 72.6 million). On the reference date, the equity ratio stood at 56.7 % (31 Dec 2017: 60.1 %).

The number of **employees** worldwide increased to 5,381 as at the reference date, 30 June 2018, compared to 5,330 on the same day of the previous year (+51 employees; +1.0 %). In Germany, the number of employees went down by 9 to 2,854 (previous year: 2,863). While the number of positions at Sto SE & Co. KGaA's German locations was reduced by 34 as part of the New Balance programme, the

number of employees at German subsidiaries was increased. As compared to the end of June 2017, the number of employees working for Sto outside of Germany rose by 60 to 2,527 (previous year: 2,467). Targeted restructuring measures in regions battling difficult economic conditions were contrasted with new appointments in countries with short- and medium-term growth prospects. The percentage of the Group's workforce employed abroad increased from 46.3 % to 47.0 %.

For the **year of 2018 as a whole**, Sto continues to expect to achieve the growth rates projected so far. This means that consolidated turnover is to increase by 4.4 % to EUR 1,333 million (2017: EUR 1,277.4 million) in 2018. EBIT is expected to fall between EUR 80 million and EUR 90 million (2017: EUR 84.0 million), and EBT between EUR 78 million and EUR 88 million (2017: EUR 82.2 million).

A key challenge in achieving the forecast range of earnings is the implementation of the initiated sales price increases in all sales organisations of the Sto Group. This is to compensate for the cost increases on the procurement side, which have been more pronounced so far this year than assumed at the time of planning. Furthermore, it is difficult to safely predict the weather conditions, which have a significant impact on the company's turnover and earnings trends.

The full version of the 2018 interim financial report is available for download at www.sto.de in the section "Investor Relations" under "Unternehmen" (company).

Sto SE & Co. KGaA is a major international manufacturer of products and systems for building coatings. The company is a leader in the business field of external wall insulation systems. Sto's core product range also includes high-quality facade elements, as well as renders, plasters and paints for building exteriors and interiors alike. There is also a focus on concrete repair, floor coatings, acoustics, and rainscreen cladding systems.

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