

Sto SE & Co. KGaA, Stühlingen

**Interim financial report in accordance with Section 37w of the
German Securities Trading Act (WpHG)**

For the period from 1 January to 30 June 2019

Overview of the first half of 2019

- **Consolidated turnover of Sto SE & Co. KGaA up by 6.5 % to EUR 665.1 million in the first six months of 2019**
 - **Turnover in Germany increases by 3.6 % to EUR 285.6 million and volume outside of Germany by 8.8 % to EUR 379.5 million**
 - **Consolidated EBIT improves by 36.6 % to EUR 31.7 million and earnings before tax (EBT) by 33.6 % to EUR 30.6 million**
 - **Number of employees in the Group rises by 86 to 5,467 employees compared to the same day of the previous year as a result of acquisitions**
 - **Outlook for the year 2019 as a whole unchanged: increase in turnover of 4.1 % to around EUR 1,387 million and EBIT of between EUR 81 million and EUR 91 million expected**
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Sto SE & Co. KGaA, Stühlingen

Consolidated interim management report for the first half of 2019

Business and general conditions

The company

Sto SE & Co. KGaA specialises in products and systems for building coatings and is one of the most important global manufacturers in this industry sector. The product range is divided into four product groups: the core business of **facade systems** encompasses external wall insulation systems (EWIS), a segment in which our company occupies a leading position worldwide, and rainscreen cladding facade systems (RSC). In the 2018 fiscal year, this product group accounted for 47.7 % of total Group turnover. **Facade coatings**, which include external render and paint systems, accounted for 22.7 % of the annual turnover, and **products for interiors**, such as plaster and paint systems optimised for home and office interiors, decorative coatings, interior claddings, and acoustic systems for regulating sound, reported a turnover share of 14.3 %. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair which are attributed to **Other product groups**.

There have been no changes to Sto's Group structure, management system, or strategic objectives in the first half of 2019. They are described in detail in the 2018 Annual Report, which is available for download at www.sto.de in the section "Investor Relations" under "Unternehmen" (company). It can also be requested from Sto SE & Co. KGaA.

Changes to the companies consolidated

Liaver GmbH & Co. KG, Ilmenau, which was taken over in December 2018, and Skyrise Prefab Building Solutions Inc., Toronto/Canada, in which Sto SE & Co. KGaA has a 50.1 % share, have been included in the companies consolidated for the first time since 1 January 2019 and 10 May 2019 respectively.

Overview of business development in the first half of 2019 and general statement by the Executive Board

In the second quarter of 2019, business development of Sto SE & Co. KGaA weakened across the Group; nevertheless, an increase in turnover of 6.5 % to EUR 665.1 million compared with 2018 was able to be recorded. Positive currency translation effects of EUR 2.5 million and first-time consolidation effects amounting to EUR 3.3 million contributed to this turnover growth. These first-time consolidation effects came from Liaver GmbH & Co KG, Ilmenau, which was consolidated at the start of the year, and Canadian company Skyrise Prefab Building Solutions Inc., in which we acquired a majority share in May 2019. Adjusted for all currency and first-time consolidation effects, turnover in the Sto Group increased by 5.6 % as compared to the first half of the previous year.

Income in the Sto Group recorded highly positive growth in the first half of 2019. This was due to the fact that the figures from the previous year had been impacted considerably by what in some cases were significant increases in raw material costs. As pricing pressure in relation to procurement eased compared to 2018, it was possible to increase the gross profit margin slightly in a comparison of the six-month figures. In addition, consistent efforts regarding cost management contributed to an improvement in income. Compared to the same period of the previous year, earnings before interest and taxes (EBIT) increased by 36.6 % to EUR 31.7 million, earnings before tax (EBT) by 33.6 % to EUR 30.6 million, and net income in the Group by 32.5 % to EUR 20.8 million.

Where 2019 as a whole is concerned, the Executive Board continues to assume that the turnover and earnings targets will be reached and reconfirms its forecasts made to date.

Economic conditions

Overall economy

The development of the **global economy** is set to be subject to significant risks over the course of the year according to the International Monetary Fund (IMF). In July 2019, the experts therefore downgraded their forecast for the third time and currently anticipate growth of 3.2 % for the year as a whole. Above all, the punitive tariffs imposed as a result of the trade disputes between China and the USA, but also the uncertainty surrounding the future relationship between the United Kingdom and the EU, as well as geopolitical tensions in the Gulf region are having a dampening effect on economic outlooks according to the IMF.

The **German economy** recorded surprisingly strong growth in the first quarter of 2019: as the Federal Statistical Office of Germany reported, adjusted gross domestic product was 0.4 % higher in the first three months of the year than in the previous quarter. Economic output also increased in comparison to the previous year: growth of 0.6 % was reported as compared to the first three months of 2018. Despite this, current economic indicators suggest that development will be more muted in the second quarter of 2019. According to estimates from the German government, the strong growth seen at the start of the year has waned in the second quarter.

International construction industry

In **Europe**, the construction industry cooled off progressively in the first few months of 2019. Although production in the first quarter increased by 1.8 % compared to the previous quarter according to the estimates from Eurostat, declines of 1.7 % in April and 0.3 % in May were recorded compared to the previous month in each case. In addition, the EUROCONSTRUCT network recorded the first signs of a slowdown. This has also been attributed to structural downside risks such as market saturation, slower implementation processes, and capacity bottlenecks. Positive stimuli for construction activity in Europe come, in particular, from favourable financing conditions as well as the need for action with respect to infrastructure.

The **German construction industry** continues to maintain on course for growth in 2019 up to now; however, it has recorded slight contraction over the course of the year. In the first five months of the year, incoming orders increased nominally by 12.6 % compared to the same period of the previous year according to the information provided by the Central Federation of the German Construction Industry; if May is viewed in isolation, growth was still at 8.0 %. Growth rates in public construction in particular experienced a noticeable decline, while demand in residential construction continued unabated. On account of the high volumes of orders, building contractors continue to have healthy workloads and reported a nominal increase in turnover of 16.1 % up to the end of May.

In the **USA**, the long-term boom in the construction industry is continuing according to the information provided by GTAI (Germany Trade & Invest). Following a poor start to the year caused by the government shutdown, which had noticeable negative consequences for the construction industry due to a lack of government contracts and approvals being issued, this industry sector remains confident despite difficult weather conditions during the first half of the year and expects to see the increase in both public and private construction contracts continue throughout 2019. Only the loss of dynamism in the economy, increasing staff costs for construction, and higher mortgage interest rates are producing slight uncertainty.

In **China**, demand for residential property in particular remains high according to GTAI. Overall, however, growth is said to have fallen slightly in light of the drop in dynamism in the economy. In 2018, the construction industry increased production value by 9.9 %. This growth is exclusively attributable to the strong residential construction sector, as investment in the office construction and retail spaces sectors suffered a decline. A shortage of investment alternatives and the unabating trend towards urbanisation are having a positive impact on construction activity in China, yet demand is becoming less dynamic and economic growth is slowing primarily due to the fact that prices are continuing to rise.

Earnings, finance and asset situation of the Sto Group

Consolidated turnover growth of 6.5 %

In the first six months of 2019, the **consolidated turnover** of Sto SE & Co. KGaA increased to EUR 665.1 million (previous year: EUR 624.5 million). Compared to the previous year's value, this equates to an increase of 6.5 %. EUR 2.5 million of the total growth resulted from currency translation effects, where positive effects from the US dollar and the Swiss franc in particular were seen alongside decreases in the value of the Swedish krona and Turkish lira. Turnover of around EUR 3.3 million came from the first-time consolidations of Liaver GmbH & Co. KG, Ilmenau, and Skyrise Prefab Building Solutions Inc., Toronto/Canada, in the first six months of 2019. Adjusted for these effects, this results in growth of 5.6 % compared to the same six-month period the previous year.

In **Germany**, the Sto Group achieved a Group-wide increase of 3.6 % to EUR 285.6 million (previous year: EUR 275.8 million) in the reporting period.

Outside of Germany, turnover increased by 8.8 % to EUR 379.5 million (previous year: EUR 348.7 million). The percentage of Group turnover generated abroad amounted to 57.1 % as compared to 55.8 % in the same six-month period in 2018.

In **July 2019**, demand increased compared to previous year, despite the extreme summer heatwave experienced in a number of markets, and was in line with expectations overall, while turnover in **August 2019** is expected to be below expectations.

Turnover trend across the segments

In the **Western Europe** region – including Germany – the Group-wide segment turnover of Sto SE & Co. KGaA increased by 6.8 % to EUR 512.9 million from January to June 2019 compared to the same period of the previous year (previous year: EUR 480.1 million), with growth recorded in France and Austria in particular.

An increase in turnover of 2.3 % to EUR 74.2 million (previous year: EUR 72.5 million) was achieved in the sub-segment of **Northern/Eastern Europe**, even though development differed largely from country to country.

In the **America/Asia** region, the return of very sluggish demand in the USA, which was overcompensated by positive currency translation effects, was contrasted with continued pleasing development in China. This sub-segment reported a net increase of 8.5 % to EUR 78.0 million (previous year: EUR 71.9 million).

Improvement in consolidated earnings

In the first six months of the year, the Sto Group's **total revenues** rose by 7.0 % to EUR 672.7 million (previous year: EUR 628.7 million). **Material costs**, which had increased significantly over the course of 2018, rose at a more moderate rate of 5.5 % to EUR 308.5 million in the reporting period (previous year: EUR 292.3 million). In addition to the fact that cost pressure on procurement markets has lessened over the course of 2019, the measures initiated in 2018 to optimise gross margin also had an impact here. In relation to total revenues, the gross margin rate of the Sto Group improved by 0.6 percentage points from 53.5 % to 54.1 %.

Up to the end of June, **personnel expenses** amounted to EUR 182.9 million compared to EUR 173.3 million during the same period last year, meaning that they also increased disproportionately to business volume with a figure of +5.5 %. Alongside first-time consolidation and tariff effects, this increase was attributable to a forward-looking personnel policy which involved the selective expansion of the workforce in certain growth markets, while reducing staff numbers in weaker-performing regions.

The balance of **other operating expenses** and **other operating income** remained stable in the reporting period at EUR -124.2 million (previous year: EUR -124.2 million), with income decreasing from EUR 6.6 million to EUR 6.4 million. The decline in other operating expenses, which fell slightly from EUR 130.8 million to EUR 130.6 million despite higher freight costs, among other factors, can mainly be

attributed to the first-time application of IFRS 16. In turn, this had a detrimental effect on **depreciation/amortisation**, which increased from EUR 15.7 million to EUR 25.3 million, as well as on net financial income/expense, which totalled EUR -1.1 million (previous year: EUR -0.3 million).

Consolidated earnings before interest and taxes (EBIT) improved by 36.6 % to EUR 31.7 million compared to the same period last year (previous year: EUR 23.2 million). Taking net financial income/expense into account, this resulted in **earnings before tax (EBT)** of EUR 30.6 million for the first six months of 2019 (previous year: EUR 22.9 million). After tax, **net income** increased by 32.5 % to EUR 20.8 million (previous year: EUR 15.7 million). At the end of June 2019, the profit per limited preference share stood at EUR 3.42 (previous year: EUR 2.56) and at EUR 3.36 per limited ordinary share (previous year: EUR 2.50).

Earnings trend across the segments

As at the end of June 2019, EBIT in the Western Europe segment amounted to EUR 30.1 million after EUR 25.3 million the previous year. In the region of Northern/Eastern Europe, earnings improved from EUR -1.7 million to EUR +1.4 million in a comparison of the half-year figures. In America/Asia, EBIT of EUR 0.3 million (previous year: EUR 0.4 million) was achieved.

Decrease in investments

Between January and the end of June 2019, the Sto Group invested a total of EUR 10.0 million (previous year: EUR 13.1 million) in **property, plant, and equipment, as well as in intangible assets**. This was mainly attributable to usual replacement measures.

Liquidity movements

Due to the seasonal nature of its operating business, the Sto Group regularly reports a negative **cash flow from operating activities** in the first half of the year. Up to the end of June 2019, outflow of funds totalled EUR 24.4 million, compared to

EUR 33.5 million in the same period of the previous year. Improved profit for the period, the increase in depreciation/amortisation related to the first-time application of IFRS 16, and reduced net financial income/expense were contrasted with a higher amount of capital that was tied up in net current assets, contingent upon the reference date.

After the first six months of the year, **cash flow from investment activities** amounted to EUR 13.6 million (previous year: EUR 15.7 million), with investment in property, plant, and equipment, as well as in intangible assets falling from EUR 13.1 million to EUR 10.0 million in comparison to the previous year. In the reporting period, funds totalling EUR 10.0 million (previous year: EUR 0 million) were also spent on the acquisition of consolidated companies and other business units, less acquired cash and cash equivalents. Deposits for financial investments increased in a comparison of the half-year figures from EUR 30.1 million to EUR 39.1 million and the corresponding disbursements rose from EUR 1.8 million to EUR 6.3 million. Cash flow from investment activities adjusted for these deposits and disbursements amounted to EUR -19.2 million (previous year: EUR -12.6 million).

As at the middle of 2019, **cash flow from financing activities** amounted to EUR -33.9 million (previous year: EUR -23.0 million), with dividend payout to the shareholders remaining virtually unchanged at EUR 26.1 million (previous year: EUR 26.0 million). Disbursements for current borrowings increased to EUR 10.1 million (previous year: EUR 0.1 million) due to the first-time application of IFRS 16, while the corresponding deposits fell from EUR 3.5 million to EUR 3.0 million.

Financial resources as at 30 June 2019 came to EUR 60.9 million (previous year: EUR 43.7 million). This takes into account an amount of EUR 0.4 million (previous year: EUR 0.1 million) resulting from the exchange-rate-related changes as well as impairment of expected losses on cash and cash equivalents in accordance with IFRS 9. As compared to the end of 2018, cash and cash equivalents dropped by EUR 44.4 million (previous year: EUR 40.7 million).

Sound asset situation

As of 30 June 2019, the **consolidated balance sheet** of Sto SE & Co. KGaA witnessed an increase of 13.1 % to EUR 887.0 million as compared to the 2018 year-end. (31 December 2018: EUR 784.4 million). Most of the changes resulted from the seasonal nature of business activities, from the first-time incorporation of Liaver GmbH & Co. KG and Skyrise Prefab Building Solutions Inc. in the consolidated annual financial statement of the Sto Group, and, especially, from the first-time application of IFRS 16. Total **non-current assets** increased from EUR 336.2 million to EUR 410.2 million, with fixed assets rising from EUR 313.8 million to EUR 386.3 million. As at the reference date, property, plant, and equipment increased only slightly to EUR 258.1 million (31 December 2018: EUR 254.8 million) and intangible assets from EUR 47.8 million to EUR 54.6 million. As a result of the first-time application of IFRS 16, right-of-use assets were also now recognised as fixed assets in accordance with IFRS 16. As of the reference date, they amounted to EUR 62.5 million (31 December 2018: 0). **Other non-current assets** totalled EUR 23.8 million (31 December 2018: EUR 22.4 million).

Year-on-year, total **current assets** in the Sto Group increased from EUR 448.2 million to EUR 476.8 million. Standing at EUR 122.9 million, inventories were EUR 25.0 million higher, mainly for seasonal reasons. Current trade receivables also rose significantly from EUR 134.7 million to EUR 209.7 million, also mainly due to the seasonal nature of business. By contrast, current financial assets decreased by EUR 26.7 million to EUR 56.6 million and cash and cash equivalents by EUR 44.4 million to EUR 60.9 million as at the end of June. This was due to the seasonally higher financing requirements for ongoing business.

On the **liabilities side, equity** in the Group amounted to EUR 472.3 million as at 30 June 2019, taking it 1.1 % below the 2018 year-end value (31 December 2018: EUR 477.5 million). On the reference date, the **equity ratio** stood at 53.3 %, primarily influenced by the first-time application of IFRS 16 (30 June 2018: 56.7 %; 31 December 2018: 60.9 %).

Non-current provisions and liabilities increased in the first six months of 2019 from EUR 119.7 million to EUR 170.7 million, primarily attributed to the new item non-current lease liabilities. This was created on account of the first-time application of IFRS 16 and totalled EUR 47.9 million (31 December 2018: 0). Non-current borrowings increased compared to the 2018 year-end from EUR 3.3 million to EUR 4.6 million. Post-employment benefit provisions saw a moderate increase of EUR 1.4 million to EUR 100.7 million.

Current provisions and liabilities increased by EUR 56.8 million to EUR 244.0 million. On account of the application of IFRS 16, current lease liabilities amounting to EUR 16.7 million (31 December 2018: 0) were recognised for the first time. Current borrowings increased from EUR 11.5 million to EUR 16.5 million. Trade payables increased from EUR 47.2 million to EUR 71.2 million, mainly for seasonal reasons, and other current liabilities rose from EUR 44.4 million to EUR 75.3 million. In contrast, current financial liabilities dropped from EUR 32.6 million to EUR 16.4 million.

On the reference date, current and non-current borrowings in the Sto Group, excluding lease liabilities which are reported separately, amounted to EUR 21.1 million (31 December 2018: EUR 14.8 million). Taking into account cash and cash equivalents, this resulted in **net financial assets** of EUR 39.9 million (31 December 2018: EUR 90.5 million) at the mid-year point.

Employees

Selective expansion of workforce

As at 30 June 2019, the Sto Group had 5,467 employees worldwide as compared to 5,333 at the 2018 year-end (+134 employees; +2.5 %) and compared to 5,381 on the same day of the previous year (+86 employees; +1.6 %). In Germany, the workforce has increased since the middle of 2018 by 91 employees to 2,945 (previous year: 2,854). This is primarily due to first-time consolidations, as 53 people were employed by Liaver GmbH & Co. KG on the reference date.

The number of employees working for Sto outside of Germany fell slightly year-on-year by 5 people to 2,522 (previous year: 2,527). 34 of these employees came from Skyrise Prefab Building Solutions Inc. in Canada. Across the Group, targeted restructuring measures were carried out in the first half of 2019 in regions battling difficult economic conditions. These were contrasted with selective new appointments in countries with short and medium-term growth prospects. The percentage of the Group's workforce employed abroad fell from 47.0 % to 46.1 %.

At the middle of 2019, a total of 4,187 employees were working for Sto in Western Europe (incl. Germany); without Liaver's employees, the figure would be 4,134 (previous year: 4,092). In the sub-segment of Northern/Eastern Europe, there were 652 employees (previous year: 682) and in America/Asia, the figure was 628 (without Skyrise Prefab Building Solutions: 594; previous year: 607).

Sustainability report

Sto is committed to sustainable and responsible corporate governance that meets the needs of all stakeholders affected by our actions. Detailed information on this topic can be found in our current 2018 Annual Report, which can be downloaded from our website.

Risks and opportunities report

The risks and opportunities situation for the Group has not changed significantly since the end of 2018. The structure of the risk management and internal control system (ICS) and the risks to which the Sto Group is exposed – which remain unchanged – are described in detail in the 2018 Group management report. At present, no appreciable risks are apparent that could have a permanent and significant adverse effect on the earnings, financial and asset situation of the Sto Group.

Outlook report

Global economy

In 2019, the global economy is set to grow by 3.2 % according to the estimates of the IMF, as compared to 3.6 % in the previous year. The International Monetary Fund considers significant risks to be posed by factors including the punitive tariffs which the USA and China have imposed on each other. The uncertain outcome of Brexit, geopolitical tensions, and the threat to global supply chains in the technology sector are also dampening economic outlooks according to the IMF. In 2019, the main drivers of growth are to be found in developing and newly industrialised nations, whose GDP is estimated to rise by 4.1 % in total. In industrialised nations, however, only moderate growth of 1.9 % is anticipated. An increase of 2.6 % is forecast for the USA, whereas the figures are just 1.3 % for the eurozone and 0.9 % for Japan.

With respect to the German economy, growth is expected to halve compared to the previous year to a figure of 0.7 % on account of weakening international demand. In this regard, the IMF remains more optimistic than the German government, which anticipates gross domestic product to increase by 0.5 % for 2019.

International construction industry

According to the estimates of the EUROCONSTRUCT network, the **European construction industry** is set to grow by just under 2 % in 2019 – a significant decline from the previous year for which an increase of 3.1 % was achieved. According to the experts, growth rates are expected to fall further over the next two years, with residential construction in particular losing momentum. The moderate growth seen in other building construction sectors is set to remain unchanged until 2021 according to forecasts, while the civil engineering sector is anticipated to experience stronger growth.

In June, the Central Federation of the German Construction Industry raised its growth forecast for the **German construction industry** from 6.0 % to 8.5 %. According to the

federation, this considerable nominal increase in turnover for 2019 is based on the positive demand over the course of the year to date, the associated good business climate index for the main construction sector, and the very high order volumes in this industry sector. With respect to the commercial construction sector, an increase of 6.5 % is anticipated and the housing construction sector is expected to grow by 10 %, despite the fact that the significant increases in construction prices being experienced at the present time and the shortage of skilled workers is having a dampening effect on residential construction in Germany according to the ifo Institute.

As things currently stand, the **US** construction industry is expected to grow slightly less strongly in 2019 than in the previous year. According to GTAI, building investments are set to increase by around 5 %. Expenditure on office buildings is expected to increase by more than 5 %.

It is likely that the construction industry in **China** will be able to continue its positive growth in 2019 in spite of the loss of dynamism in its economy. This is mainly attributable to the full order books it currently has as well as a shortage of investment alternatives. The trend towards urbanisation is continuing, with the result that developers are focusing on residential buildings in particular, while investment in office and retail spaces are declining. With respect to civil engineering, the government is providing support in the form of high levels of investment in infrastructure.

Sto: outlook unchanged for 2019 as a whole

For the year as a whole, Sto SE & Co. KGaA continues to expect to achieve the figures projected so far. This means that **consolidated turnover** is to increase by 4.1 % to around EUR 1,387 million (2018: EUR 1,332.4 million) in 2019 – assuming normal weather conditions. For facade systems especially, we are expecting to see further growth, as the advantages offered by energy-related facade insulation hold significant potential for EWIS sales worldwide. We remain in a competitive position in our other product areas too, and believe that we will see growth in business volume here in 2019.

EBIT is expected to be between EUR 81 million and EUR 91 million (2018: EUR 81.9 million) and **EBT** between EUR 78 million and EUR 88 million (2018: EUR 80.2 million). This corresponds to a **return on sales** of between 5.6 % and 6.3 % (2018: 6.0 %). After allowing for the application of IFRS 16, Sto expects the **ROCE** (return on capital employed) figure to be between 13.0 % and 14.6 % (31 December 2018: 15.6 %).

Improving profitability is one of the Group's main tasks over the course of 2019 and beyond. We are addressing this issue at all stages of the value added chain: from procurement and development to sales and the product mix, which is consistently being aimed at high-income offers and markets. We also believe that significant earnings potential can be found by optimising process-oriented organisation.

Sources of uncertainty come from a number of factors, including the further development of the global economy and continued doubt regarding the implementation of climate protection measures and the promotion of energy efficiency measures in Germany. Tax incentives for energy-related building refurbishments are also yet to be defined, despite the fact that the German government has promised such measures and that set energy and climate objectives are unlikely to be achieved without suitable arrangements being put in place.

Stühlingen/Germany, August 2019

Sto SE & Co. KGaA

represented by STO Management SE

The Executive Board

Sto SE & Co. KGaA, Stühlingen/Germany
Condensed consolidated statement of profit and loss
For the period from 1 January to 30 June 2019

	30 June 2019	30 June 2018
	EUR	EUR K
1. Revenues	665.083.753,42	624.507
2. Changes in product inventories	7.576.622,05	4.234
3. Other internally generated assets capitalised	0,00	0
Total revenues	672.660.375,47	628.741
4. Other operating income	6.389.145,49	6.644
5. Cost of materials	-308.541.097,19	-292.288
6. Personnel expenditure	-182.888.161,62	-173.321
7. Other operating expenses	-130.635.658,21	-130.869
EBITDA	56.984.603,94	38.907
8. Depreciation and amortisation of intangible assets as well as property, plant and equipment	-25.284.516,31	-15.666
EBIT (earnings before interest and taxes)	31.700.087,63	23.241
9. Financial income	-1.116.662,12	-347
EBT (earnings before taxes)	30.583.425,51	22.894
10. Taxes on income earnings	-9.786.696,16	-7.216
EAT (earnings after taxes)	20.796.729,35	15.678
of which:		
Share of minority interests	-922.227,70	-511
Share attributable to the shareholders of Sto SE & Co. KGaA	21.718.957,05	16.189
<i>Earnings per share basic/diluted in EUR</i>		
Ordinary share	3,36	2,50
Preference share	3,42	2,56

Sto SE & Co. KGaA, Stühlingen
Consolidated statement of comprehensive income
for the period from 1 January to 30 June 2019

	30 June 2019	30 June 2018
	EUR	EUR K
EAT (earnings after tax)	20.796.729,35	15.678
Currency translation:		
<i>Currency translation differences</i>	679.307,26	-793
Earnings to be reclassified in the statement of profit and loss in future periods	679.307,26	-793
Revaluation of post-employment benefit obligations:		
<i>Gains/losses from the revaluation of defined benefit plans</i>	0,00	0
<i>Deferred taxes</i>	0,00	0
Earnings not to be reclassified in the statement of profit and loss in future periods	0,00	0
Other earnings after taxes	679.307,26	-793
Total comprehensive earnings after taxes	21.476.036,61	14.885
<i>of which:</i>		
<i>Share of minority interests</i>	-893.114,32	-511
<i>Share attributable to the shareholders of Sto SE & Co. KGaA</i>	22.369.150,93	15.396

Sto SE & Co. KGaA, Stühlingen/Germany
 Consolidated statement of financial position as at 30 June 2019

ASSETS	30 June 2019 EUR	31 Dec 2018 EUR K	LIABILITIES	30 June 2019 EUR	31 Dec 2018 EUR K
A. NON-CURRENT ASSETS			A. EQUITY CAPITAL		
I. Intangible assets	54.637.891,67	47.768	I. Subscribed capital	17.556.480,00	17.556
II. Property, plant and equipment	258.072.002,51	254.848	II. Capital reserves	57.803.590,41	57.804
III. Right-of-use assets	62.505.385,48	-	III. Revenue reserves and other reserves	389.096.536,68	394.547
IV. Financial assets accounted for using the equity method	11.138.210,63	11.138	Share attributable to the shareholders of Sto SE & Co. KGaA	464.456.607,09	469.907
Fixed assets	386.353.490,29	313.754	IV. Share of minority interests	7.847.800,15	7.638
V. Non-current trade receivables	1.064.776,94	1.069	TOTAL EQUITY CAPITAL	472.304.407,24	477.545
VI. Non-current financial assets	437.004,78	500	B. NON-CURRENT PROVISIONS AND LIABILITIES		
VII. Other non-current assets	466.351,48	335	I. Provisions for post-employment benefits and similar liabilities	100.670.914,03	99.267
VIII. Deferred tax assets	21.852.376,34	20.541	II. Other non-current provisions	14.498.487,94	14.555
Other non-current assets	23.820.509,54	22.445	III. Non-current borrowings	4.562.126,10	3.345
TOTAL NON-CURRENT ASSETS	410.173.999,83	336.199	IV. Non-current lease liabilities	47.920.619,43	-
B. CURRENT ASSETS			V. Non-current trade payables	151.000,00	151
I. Inventories	122.884.553,26	97.863	VI. Non-current financial liabilities	283.000,00	283
II. Current trade receivables	209.709.539,82	134.702	VII. Other non-current liabilities	9.959,77	9
III. Current income tax receivables	6.413.919,13	2.577	VIII. Deferred tax liabilities	2.612.958,58	2.099
IV. Current financial assets	56.646.372,08	83.258	TOTAL NON-CURRENT PROVISIONS AND LIABILITIES	170.709.065,85	119.709
V. Other current assets	20.267.217,97	24.531	C. CURRENT PROVISIONS AND LIABILITIES		
VI. Cash and cash equivalents	60.884.617,02	105.294	I. Other current provisions	41.112.665,80	45.469
TOTAL CURRENT ASSETS	476.806.219,28	448.225	II. Current borrowings	16.496.230,42	11.459
			III. Current lease liabilities	16.650.461,26	-
			IV. Current trade payables	71.188.712,70	47.155
			V. Current income tax liabilities	6.754.428,43	6.135
			VI. Current financial liabilities	16.429.048,49	32.582
			VII. Other current liabilities	75.335.198,92	44.370
			TOTAL CURRENT PROVISIONS AND LIABILITIES	243.966.746,02	187.170
			TOTAL DEBT CAPITAL	414.675.811,87	306.879
Total assets	886.980.219,11	784.424	Total assets	886.980.219,11	784.424

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 30 June 2019

in EUR K	Equity attributable to the shares of the parent company						Total	Share of minority interests	Total equity capital
	Subscribed capital	Capital reserves	Revenue reserves	Currency translation reserve	Reserve for pensions	Treasury stock			
As at 31 December 2017	17.556	57.804	414.896	4.679	-29.513	-23.055	442.367	7.778	450.144
Effects from the first-time application of IFRS 9 as of 1 January 2018	0	0	-1.015	0	0	0	-1.015	11	-1.004
Equity as at 1 January 2019 after first-time application effect	17.556	57.804	413.882	4.679	-29.513	-23.055	441.353	7.789	449.140
EAT (earnings after tax)	0	0	16.189	0	0	0	16.189	-511	15.678
Other earnings (after taxes)	0	0	0	-793	0	0	-793	0	-793
Total comprehensive earnings	0	0	16.189	-793	0	0	15.396	-511	14.885
Dividend payout	0	0	-26.049	0	0	0	-26.049	-3	-26.052
Minority shares from corporate acquisition	0	0	0	0	0	0	0	0	0
As at 30 June 2018	17.556	57.804	404.022	3.886	-29.513	-23.055	430.700	7.275	437.973
As at 31 December 2018	17.556	57.804	441.499	3.880	-27.777	-23.055	469.907	7.639	477.545
Effects from the first-time application of IFRS 16 as of 1 January 2019	0	0	-1.770	0	0	0	-1.770	-21	-1.791
Equity as at 1 January 2019 after first-time application effect	17.556	57.804	439.729	3.880	-27.777	-23.055	468.137	7.618	475.754
EAT (earnings after tax)	0	0	21.719	0	0	0	21.719	-922	20.797
Other earnings (after tax)	0	0	0	650	0	0	650	29	679
Total comprehensive earnings	0	0	21.719	650	0	0	22.369	-893	21.476
Dividend payout	0	0	-26.049	0	0	0	-26.049	-41	-26.090
Minority shares from corporate acquisition	0	0	0	0	0	0	0	1.164	1.164
As at 30 June 2019	17.556	57.804	435.399	4.530	-27.777	-23.055	464.457	7.848	472.304

Sto SE & Co. KGaA, Stühlingen
Consolidated cash flow statement
For the period from 1 January to 30 June 2019

	30 June 2019	30 June 2018
	EUR K	EUR K
1. Cash flow from operating activities		
Earnings before income taxes	30.583	22.894
Depreciation of fixed assets	25.285	15.666
Earnings from the disposal of fixed assets	-57	-120
Earnings from measurement at equity	0	-533
Net interest income	1.117	804
Income taxes paid	-12.507	-10.709
Change in provisions	-3.284	-4.418
Change in net current assets	-65.584	-57.125
Cash flow from operating activities	-24.447	-33.541
2. Cash flow from investment activities		
Investment in property, plant and equipment, and Intangible assets	-9.981	-13.054
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)	-10.043	0
Payments received from the disposal of intangible assets and Property, plant and equipment	364	249
Interest payments received	435	330
Disbursements for financial investments	-6.347	-1.835
Deposits from financial investments	39.137	30.057
Cash flow from investment activities	13.565	15.747
3. Cash flow from financing activities		
Payments for non-current borrowings	-60	-42
Payments for current borrowings	-10.103	-90
Payments received for current borrowings	3.016	3.512
Dividend distribution	-26.090	-26.049
Interest payments	-691	-314
Cash flow from financing activities	-33.928	-22.983
Change in cash and cash equivalents from changes in exchange rates as well as from impairment due to expected losses on cash and cash equivalents in accordance with IFRS 9	401	62
Cash and cash equivalents at beginning of period	105.294	84.422
Change in cash and cash equivalents	-44.409	-40.715
Cash and cash equivalents at the end of period	60.885	43.707

Sto SE & Co. KGaA, Stühlingen
 Consolidated segment reporting
 For the period from 1 January to 30 June 2019

Information on geographic segments by sales markets (in EUR K)

For the period from 1 January to 30 June 2019	Western Europe	Other Northern / Eastern Europe	Other America / Asia	Transitional / consolidation entries	Group
External revenues	512.865	74.191	78.028	0	665.084
Inter-segment revenues	21.364	888	12	-22.264	0
Segment revenues	534.229	75.079	78.040	-22.264	665.084
EBITDA	49.510	4.773	2.799	-99	56.985
Depreciation / amortisation	19.399	3.376	2.510	0	25.285
EBIT (earnings before interest and taxes)	30.112	1.397	289	-99	31.700
EBT (Earnings before taxes)	28.277	1.364	508	435	30.583
Investments	7.873	793	1.314	0	9.981
Staff on balance sheet date	4.187	652	628	0	5.467

Period from 1 January to 30 June 2018	Western Europe	Other Northern / Eastern Europe	Other America / Asia	Transitional / consolidation entries	Group
External revenues	480.142	72.458	71.907	0	624.507
Inter-segment revenues	20.370	818	23	-21.211	0
Segment revenues	500.511	73.277	71.930	-21.211	624.507
EBITDA	37.917	-344	2.036	-701	38.907
Depreciation / amortisation	12.613	1.372	1.682	0	15.666
EBIT (earnings before interest and taxes)	25.304	-1.716	354	-701	23.241
EBT (Earnings before taxes)	24.304	-1.749	507	-168	22.894
Investments	10.904	907	1.240	0	13.052
Staff on balance sheet date	4.092	682	607	0	5.381

Sto SE & Co. KGaA, Stühlingen/Germany

Notes to the condensed consolidated interim financial statement for the period from 1 January to 30 June 2019

1. Basis of preparation

Sto SE & Co. KGaA prepared its consolidated annual financial statement of the Group for the 2018 fiscal year in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union, and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Consequently, this interim financial statement as at 30 June 2019 has also been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as a condensed interim report.

The condensed consolidated interim financial statement does not encompass all of the information and details required for consolidated financial statements and should therefore be assessed in conjunction with the consolidated financial statement as at 31 December 2018.

The consolidated interim financial statement has not been subjected to an audit.

The release for publication was granted by the personally liable partner STO Management SE on 26 August 2019.

2. Accounting and measurement principles

In order to draw up the condensed consolidated interim financial statement, the accounting methods applicable until 31 December 2018 for the consolidated financial statement, with the exception of the standards and interpretations that became applicable on 1 January 2019, were adopted unchanged. A detailed description of these accounting policies was published in the Notes to the 2018 consolidated financial statement.

IFRS 16 'Leases'

IFRS 16, which became applicable for the first time on 1 January 2019, has an impact on the earnings, finance, and asset situation of the Group as described below.

In line with IFRS 16, financial obligations arising from contracts which were previously classified as operating leases in accordance with IAS 17 are discounted with the respective incremental borrowing rate of interest and carried as a lease liability. Discounting always takes place by applying incremental borrowing rates of interest specific to the term and currency, unless the interest rate on which the leasing payments are based has been contractually agreed.

The right-of-use to the leased item corresponds to the respective lease liability at the date of first-time application. In addition, leasing payments which have already been made, and directly attributable costs are to be included in the evaluation of the right-of-use at the date of first-time application. Payments received or reimbursed by the lessor are to be deducted when evaluating the right-of-use.

The interest expense is recognised through profit and loss over the term of the lease. The right-of-use assets are depreciated on a straight-line basis over the term of the lease or – if shorter – over the economic life of the leased asset.

In the case of leases with a term of no more than twelve months or with low-value assets of less than EUR 5 K, the Group applies the exemptions of IFRS 16.5 and recognises the leasing payments of these contracts as expenses under other operating expenses.

In the case of contracts which include both lease and non-lease components, the Group has decided not to apply the practical expedient of IFRS 16.15 and separates the lease components from the non-lease components.

The first-time application of IFRS 16 followed the transitional regulations based on the modified retrospective approach. The comparative information regarding the corresponding periods of previous years was not adjusted accordingly.

During the transition to IFRS 16, right-of-use assets to leased items amounting to EUR 66,432 K and lease liabilities of EUR 68,824 K were recorded on 1 January 2019. The difference in the amounts results from the fact that the standard was applied modified retrospectively. This difference was recognised in equity with no impact on profit and loss on the date of first-time application. The following table shows the effects of the first-time application of IFRS 16 on equity:

First-time application effects of IFRS 16 on equity in EUR K	1. Jan. 2019
Equity as at 31 December 2018 (before the introduction of IFRS 16)	477.545
Changes in Right-of-use assets	66.432
Changes in Non-current lease liabilities	-52.004
Changes in Current lease liabilities	-16.820
Deferred taxes on first-time application effects	601
Equity as at 1 January 2019 (after the introduction of IFRS 16)	475.754

The weighted average incremental borrowing rate of interest which was used to determine the lease liabilities as of 1 January 2019 amounted to 0.8 % and was defined centrally by the Group.

The right-of-use assets are presented within the separate balance sheet position "Right-of-use assets". The right-of-use assets created by finance leases under IAS 17 which have been presented as property, plant and equipment until 31 December 2018, were reclassified to the position "Right-of-use assets" now presented separately.

The "Right-of-use assets" relate to the following asset classes:

Right-of-use assets - net book values		
in EUR K	1. Jan. 2019	30. Jun. 2019
Industrial property rights and licences including software	422	371
Land, land rights and building plant buildings on land owned by others	53.331	49.809
Technical equipment and machinery	0	242
Other plant, operating and business equipment	12.679	12.083
Total	66.432	62.505

The lease liabilities are presented within the separate balance sheet positions "Current lease liabilities" and "Non-current lease liabilities". The lease liabilities created by finance leases under IAS 17 of EUR 415 K which have been presented within the "Current borrowings" and within the "Non-current borrowings" until 31 December 2018, were reclassified according to their maturity in the amount of EUR 187 K to the position "Current lease liabilities" and in the amount of EUR 228 K to the position "Non-current lease liabilities".

The introduction of IFRS 16 resulted in an increase in depreciation/amortisation amounting to EUR 9,169 K and in interest expenses of EUR 283 K. Other operating expenses decreased by EUR 9,635 K due to the discontinuance of lease expenses as a result of the first-time application of IFRS 16.

IAS 19 'Employee Benefits'

In the consolidated interim financial statement, discount rates for post-employment benefit provisions of 1.95 % (31 December 2018: 1.95 %) were used for companies with the euro as their functional currency. The adjustment of the post-employment benefit provision was carried out on 31 December 2018 and took into account the actuarial sensitivity. For companies with a different functional currency, the discount rate was 0.95 % (31 December 2018: 0.95 %).

IAS 12 'Income taxes'

Income tax expense was calculated in accordance with IAS 34 'Interim Financial Reporting' on the basis of the effective anticipated tax rate for the entire fiscal year.

3. Companies consolidated

The consolidated annual financial statement of the Sto Group includes Sto SE & Co. KGaA, the national and foreign subsidiaries, joint ventures, and associated companies.

When evaluating the companies consolidated, the joint control, or the type of joint control, no significant evaluations or assumptions were necessary, because the allocation was clear.

In the case of subsidiaries, Sto SE & Co. KGaA is able to exercise a controlling influence as defined in IFRS 10. Control as defined in IFRS 10 exists when an investor has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns. In the present consolidated annual financial statement, this is the case for shareholdings of more than 50 % without exception. In the case of fully consolidated companies where less than 50 % of capital shares are held, control was assured via further contractual agreements.

With economic effect from 1 January 2019, the Group acquired 100 % of the limited partnership shares of Liaver GmbH & Co. KG, Ilmenau, as well as all company shares of Liaver Beteiligungen GmbH, Ilmenau, via its subsidiary Sto BTN GmbH.

Furthermore, the Group acquired a 50.1 % interest in Skyrise Prefab Building Solutions Inc., Toronto/Canada via its subsidiary Sto Panel Holding GmbH. This acquisition took economic effect on 10 May 2019.

4. Seasonal influences on business activities

Owing to the seasonal fluctuations in the building industry, higher sales revenue and higher earnings before interest and taxes (EBIT) than those achieved in the first half of the year are normally expected in the second half of the year. The generally higher turnover in the months of May to October as compared to November to April is mainly due to more favourable weather conditions.

5. Earnings per share / distributed dividend

Basic earnings per limited ordinary or limited preference share are calculated by dividing the proportion of earnings attributable to Sto SE & Co. KGaA's limited ordinary or limited preference shareholders by the weighted average number of limited ordinary and limited preference shares in circulation during the fiscal year.

In addition to the issued shares, diluted earnings per share also include potential shares (e.g. from options). Both at 30 June 2019 and 30 June 2018, there were no potential shares. Hence, undiluted earnings per share for both years correspond to diluted earnings per share.

In the first half of 2019, a dividend of EUR 0.25 as well as an extra dividend of EUR 3.78 per limited ordinary share, and a dividend of EUR 0.31 as well as an extra dividend of EUR 3.78 per limited preference share, were distributed for the 2018 fiscal year. This corresponds to a total dividend payout amount of EUR 26,049 K. The dividend was paid out on 24 June 2019 in accordance with the resolution of the Annual General Meeting of 19 June 2019.

6. Intangible assets, and Property, plant and, equipment

In the period from 1 January to 30 June 2019, the Sto Group acquired assets at acquisition costs of EUR 9,981 K (first half of 2018: EUR 13,052 K). In the same period, the Group sold assets with a carrying amount of EUR 241 K (first half of 2018: EUR 86 K).

7. Information on fair value

The principles and methods for measurement at fair value remain unchanged from the previous year.

The financial assets and liabilities accounted for at fair value are structured according to the following valuation categories:

Level 1

Financial instruments traded in active markets, the listed prices of which were adopted unchanged for measurement purposes.

Level 2

The measurement is made on the basis of measurement methods in which the influential factors are derived either directly or indirectly from observable market data. The derivatives are currency hedges only. They are measured based on the observable exchange rates, interest structure curves as well as the basic spreads between the currencies.

Level 3

The measurement is effected using measurement methods where the influential factors are not based exclusively on observable market data.

During the reporting period there were no reclassifications of measurements at fair value between the levels.

The assets and liabilities accounted for at fair value with an impact on profit and loss exclusively contain derivative financial instruments or currency forwards which are not included in hedge accounting.

The following table shows carrying amounts and fair values of financial instruments as at 30 June 2019:

in EUR K	Carrying amount 30 June 2019	Fair value 30 June 2019
Financial assets		
Non-current		
Investments	15	15
Other financial assets	422	422
Non-current financial assets in total	437	437
Current		
Financial investments	43.524	43.527
Loans	868	868
Forward exchange contracts	205	205
Creditors with a debtor balance	1.062	1.062
Bonuses and credits	3.276	3.276
Other financial assets	7.711	7.711
Current financial assets in total	56.646	56.649
Total financial assets	57.083	57.086
Financial liabilities		
Non-current		
Borrowings	4.562	4.562
Other financial liabilities	283	283
Non-current financial liabilities	4.845	4.845
Current		
Borrowings	16.496	16.496
Forward exchange contracts	406	406
Other financial liabilities	16.023	16.023
Current financial liabilities in total	32.925	32.925
Total financial liabilities	37.770	37.770

The carrying amounts of cash and cash equivalents, receivables and liabilities from deliveries and services correspond mainly to the fair value due to their short terms.

The following table contains an overview of the balance sheet items accounted for at fair value:

in EUR K	30 June 2019	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit and loss				
- Derivates without hedge relationship	205	0	205	0
Financial assets measured at fair value	205	0	205	0
Financial liabilities measured at fair value through profit and loss				
- Derivates without hedge relationship	406	0	406	0
Financial liabilities measured at fair value	406	0	406	0

8. Contingencies and contingent liabilities

As at 30 June 2019, liabilities for the acquisition of property, plant, and equipment stood at EUR 4,069 K (30 June 2018: EUR 7,213 K). Due to the first-time application of IFRS 16, the liabilities from operating leases presented in the position Other financial obligations until 31 December 2018 are no longer applicable for those liabilities from operating leases, which are presented as right-of-use assets respectively as lease liabilities since 1 January 2019. Other contingencies and contingent liabilities contained in the 2018 consolidated annual financial statement of the Sto Group showed no appreciable changes as at 30 June 2019.

9. Related party disclosures

The volume of deliveries and services in the first half year between companies of the Sto Group and related parties are set out in the following table:

in EUR K	Share	Rendered deliveries and services		Received deliveries and services		Receivables from		Liabilities to	
		2019	2018	2019	2018	2019	2018	2019	2018
Inotec GmbH, Waldshut-Tiengen	47,5%	27	22	1.914	1.824	664	652	201	214
Sto Management SE		336	350	1.976	1.579	67	75	1.820	1.568
Jonas GmbH, Wülfrath	49,8%	172	189	0	0	515	189	0	0
Sonstiges		0	0	0	0	0	0	10	0

10. Events following the conclusion of the reporting period

The share of minority interests of the Ströher Group, Dillenburg, was acquired with effect from 1 July 2019.

As of 1 August 2019, Sto SE & Co. KGaA also acquired 100 % of the company shares of Unitex Australia Pty Ltd, which is based in Dandenong, near Melbourne/Australia.

Responsibility statement by the legal representatives

We confirm that to the best of our knowledge, the interim consolidated financial statement in accordance with the applicable accounting principles for interim reporting provides a true and fair view of the earnings, financial and asset situation of the Group in compliance with generally accepted accounting principles, and that the consolidated interim management report presents a true and fair view of business development, including the operating results and position of the Group, and that the principal opportunities and risks associated with the anticipated development of the Group over the remaining months of the 2019 fiscal year are sufficiently described.

Stühlingen/Germany, 26 August 2019

Sto SE & Co. KGaA
represented by STO Management SE
Executive Board



Rainer Hüttenberger
(Spokesman)



Michael Keller



Jan Nissen



Rolf Wöhrle