

Sto SE & Co. KGaA, Stühlingen/Germany

Interim financial report

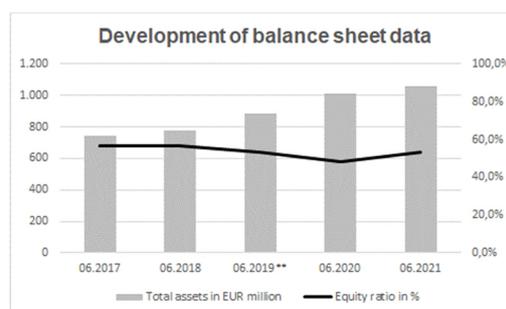
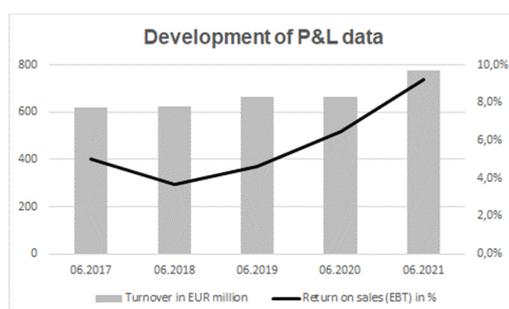
In accordance with Section 115 WpHG

For the period from 1 January to 30 June 2021



Sto at a glance	1 January 2021- 30 June 2021	1 January 2020- 30 June 2020	Changes in %
Turnover	778.1	664.5	17.1
Germany	342.1	312.8	9.4
Outside of Germany	436.0	351.7	24.0
Investments (without: financial assets and IFRS 16)	17.3	14.0	23.6
EBITDA	97.0	71.2	36.2
EBIT	68.9	44.1	56.2
EBT	71.8	42.9	67.4
Return on sales (EBT) (%)	9.2	6.5	
ROCE (%)*	10.9	7.5	
Cash flow from operating activities	23.1	24.6	-6.1
Employees	5,713	5,646	1.2
of which in Germany	3,101	2,995	3.5
of which outside of Germany	2,612	2,651	-1.5

(Figures in EUR million unless otherwise indicated)



* ROCE = EBIT divided by average capital employed

Capital employed = balance sheet values are determined on the basis of an arithmetic average of the respective reference date values at month end for the respective period. Capital employed = Intangible assets + Property, plant, and equipment + Rights of use + Inventories + Trade receivables ./. Trade payables.

** From 2019 including IFRS 16

Rounding of amounts may lead to minor deviations in totals and in the calculation of percentages in this report.

Cover photo: Yercekim Architectural Photos, Istanbul/Turkey

Overview of the first half of 2021

- **Consolidated turnover up by 17.1 % to EUR 778.1 million in the first half of 2021 compared to the same period the previous year**
- **Turnover in Germany increases by 9.4 % to EUR 342.1 million; volume outside of Germany rises by 24.0 % to EUR 436.0 million compared to the 2020 figure, which was lower due to the coronavirus pandemic**
- **Gross profit margin of 53.5 % (previous year: 55.4 %) under considerable pressure due to significant rises in procurement prices**
- **Consolidated earnings before interest and taxes (EBIT) improve by 56.2 % to EUR 68.9 million and earnings before tax (EBT) by 67.4 % to EUR 71.8 million**
- **Number of employees in the Group up by 67 to 5,713, through expansion of the companies consolidated**
- **Forecast for 2021 as a whole: increase in turnover of 10 % to approximately EUR 1,578 million (adjusted based on current estimate from previous forecast +4.5 %, approximately EUR 1,498 million) and EBT ranging between EUR 95 million and EUR 110 million expected**

Consolidated interim management report for the first half of 2021

Business and general conditions

The company

Sto is a major international manufacturer of products and systems for building coatings. The Group's product range is divided into four product groups: the core business of **facade systems**, which accounted for a 46.7 % share of the total Group turnover in the first half of 2021, includes external wall insulation systems (EWIS), a segment in which the company occupies a leading position, as well as rainscreen cladding facades (RSC). The area of **facade coatings**, which includes render and paint systems for external applications, made up 21.7 % of the turnover in the reporting period. Products for **interiors** accounted for 16.8 %; these include, for example, plaster and paint systems for home and office interiors, decorative coatings, interior claddings, and acoustic systems for regulating sound. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair which are allocated to **Other product groups**.

There have been no changes to Sto's Group structure and management system in the first half of 2021. These are described in detail in the 2020 Annual Report, which is available for download at www.sto.de in the section "Investor Relations". It can also be requested from Sto SE & Co. KGaA. As its financial goal, the Sto Group is aiming for a turnover of EUR 2.1 billion and a return on sales of 10 % in relation to EBT by 2025.

Changes to the companies consolidated

With effect from 28 February 2021, Sto SE & Co. KGaA acquired the remaining 50.2 % of shares in JONAS Farbenwerke GmbH & Co. KG, Wülfrath/Germany. The company, which now trades under the name of Jonas Farben GmbH, was fully consolidated in the consolidated annual financial statement of the Sto Group in March 2021.

Business development in the first half of 2021 and general statement by the Executive Board

Sto SE & Co. KGaA was able to continue the good business development seen in the first few months of the year into the second quarter of 2021. Compared to the same period the previous year, which was impacted heavily by the coronavirus pandemic, significant catch-up effects were achieved, especially in a number of markets outside of Germany. The high demand in the construction sector, which also resulted from a shortage of investment alternatives on the capital market, was also assisted by the generally favourable weather conditions. In April and June, the Sto Group beat its previous record turnover figures for these two months. For the reporting period as a whole, turnover increased by 17.1 % across the Group compared to the first half of 2020 to EUR 778.1 million. When adjusted for first-time consolidation effects and net negative currency translation effects, turnover was up by 15.9 %.

At the same time, significant increases in procurement prices and supply bottlenecks were recorded in the reporting period which have become more acute during the first half of the year. They are also set to continue in the second half of the year, even if

the extent of their impact is expected to lessen as things stand. This situation is mainly due to plant shutdowns by several key manufacturers and to a sharp increase in demand on the global market stemming from economic trends. Although this had an increasing impact on gross profit in the Sto Group during the course of the year to date, consolidated earnings before interest and taxes (EBIT) still improved in the first half of 2021 by 56.2 % to EUR 68.9 million. Earnings before tax (EBT) increased by 67.4 % to EUR 71.8 million and net income rose by 72.3 % to EUR 50.3 million.

Managing the very positive growth in turnover on the one hand as well as the considerable disruption in the procurement markets and transport sector on the other have presented Sto with huge challenges in the reporting period. Sto's employees have demonstrated exemplary commitment to ensure that our customers have received the best service possible in light of this difficult situation that has persisted for longer than we anticipated. We would like to thank our workforce most sincerely for the dedication they have shown.

Economic conditions

Overall economy

In 2021, the global economy is recovering from the coronavirus pandemic; however, according to the International Monetary Fund (IMF), inequality between the individual countries is rising. Accordingly, the economic prospects of many countries are directly dependent on their access to coronavirus vaccines. What's more, poorer countries are severely limited in terms of the support they are able to offer to the jobs market and economy. Worldwide, the global economy is set to grow by 6 % this year according to the latest IMF forecast of July 2021. In this forecast, the IMF confirms its previous estimate from April, yet with a number of opposing corrections: while the prospects for emerging and developing countries have worsened, the forecast for rich industrialised countries, including Germany, has been revised upwards.

In Germany, however, the coronavirus pandemic led to a renewed decline in economic output in the first quarter of 2021, despite the fact that the economy had seen some initial recovery in the second half of 2020. From January to March, gross domestic product (GDP) decreased by 2.1 % compared to the fourth quarter of 2020, according to figures from the German Federal Statistical Office (Destatis). In the second quarter, the German economy returned to growth according to Destatis: between April and June, GDP rose by 1.6 % compared to the previous quarter, and compared to the second quarter of 2020, the economy grew by 9.8 % once adjusted for price changes. Private consumption and government spending in particular have contributed to the upturn, while supply bottlenecks – particularly in the main construction sector, mechanical engineering industry, and processing sector – had a dampening effect.

International construction industry

According to calculations by the German Federal Statistical Office, turnover in the **German main construction sector** up to April 2021 remained 5.6 % below the figure recorded for the same period the previous year, which was not affected by the coronavirus pandemic. Real incoming orders increased by 2.7 % in the first five months of 2021. Nominally, i.e. not adjusted for price changes, incoming orders recorded their highest value ever in May 2021. This can primarily be attributed to the significant increases in construction prices. As Destatis reported, producer prices for building materials such as timber, steel, and insulation materials rose dramatically: for example, the costs of insulation boards made from plastic such as polystyrene increased by 19.9 % in May 2021 compared to the same month the previous year.

According to figures from Eurostat, production in the **European construction industry** rose by 0.6 % in the first quarter of 2021 compared to the final quarter of 2020. Compared to the same period the previous year, the growth rate in the first three months was 2.2 %. In the second quarter, the construction industry in Europe noticeably gathered pace once again: in April, production increased by 35.4 % compared to the same month the previous year; in May, the increase was 11.6 %. At the same time, European building construction companies surveyed by the ifo Institute have since April been reporting considerable disruption to their work due to material shortages and significant rises in price expectations for construction work to be performed.

In the **USA**, the residential construction sector in particular recorded strong growth from the late summer of 2020, according to figures from GTAI (Germany Trade & Invest). However, it isn't just the new build sector that is experiencing a rise in construction projects being started – the existing property market is also benefiting from a significant upturn in demand, as high numbers of property sales prompted a wave of modernisations, extensions and modifications. In the non-residential construction sector, by contrast, investment collapsed in 2020 as a result of the coronavirus pandemic. No growth is expected for 2021 in either the commercial construction sector, which suffered greatly during lockdowns, or in the construction of office space. In the US building construction sector, energy-efficient solutions are playing an increasingly important role, primarily due to financial reasons such as lower operating costs.

Thanks to state-backed domestic demand and encouraging export demand, the economy in **China** has made a strong start in 2021. According to GTAI figures, the construction sector is also expected to grow, despite the fact that high land prices and debts are putting a strain on many developers and reducing profits. Providing support in particular here is the internal market, which is not yet saturated, as there is a shortage of investment alternatives. In addition, there is the cheap money that is available for state-run companies as well as the fact that the economy has been picking up again in general since the summer of 2020, meaning that investments in the real estate industry are once again a worthwhile option.

Income, finance and asset situation of the Sto Group

Consolidated turnover: significant organic growth

Consolidated turnover for Sto SE & Co. KGaA increased by 17.1 % in total or EUR 113.6 million to EUR 778.1 million up to the end of June 2021 compared to the same period the previous year (previous year: EUR 664.5 million). Of this, the first-time full consolidation of Jonas Farben GmbH accounted for EUR 13.0 million, while a net negative effect of EUR 5.4 million arose from currency translations. The US dollar, Swiss franc, and the Turkish lira in particular were devalued, while currencies including the Swedish krona and Norwegian krone saw a positive development. Adjusted for first-time consolidation and currency translation effects, the Sto Group achieved organic growth of 15.9 % compared to the first half of 2020.

In **Germany**, consolidated turnover increased by 9.4 % to EUR 342.1 million up to the end of June (previous year: EUR 312.8 million), in particular due to first-time consolidation effects and the generally favourable weather conditions. Without Jonas Farben GmbH, which was fully consolidated for the first time, growth of 5.2 % is recorded. **Outside of Germany**, catch-up effects were noticeable primarily in regions that had recorded substantial losses in the previous year as a result of the coronavirus pandemic. In addition, several countries benefited from government-backed incentives to support energy-efficient building refurbishment as well as a shortage of investment alternatives on the capital market. Compared to the low value recorded in the previous

year, turnover generated abroad increased by 24.0 % to EUR 436.0 million (previous year: EUR 351.7 million) despite the currency translation effects, which were negative overall. The percentage of Group turnover generated abroad amounted to 56.0 %, compared to 52.9 % in the first half of 2020.

In **July 2021**, development of business slowed noticeably due to the limited availability of raw materials and bought-in products; there was also some disruption caused by bad weather. Net turnover in July 2021 was slightly below the previous year's level and therefore also below expectations. In **August 2021**, turnover is expected to exceed the previous year's level.

Turnover trend across the segments

In the **Western Europe** region – including Germany – business volume grew by 19.9 % to EUR 615.9 million from January to June 2021 (previous year: EUR 513.9 million), taking into account first-time consolidation effects. Noticeable catch-up effects were seen in particular in the companies in France, Italy, and Spain, which were badly affected by the coronavirus pandemic in the same period the previous year. In addition, volumes were helped by government-backed incentives for energy-efficient building refurbishment in the residential construction sector, such as the “France Relance” initiative in France.

A rise of 8.1 % to EUR 73.4 million (previous year: EUR 67.9 million) was recorded in the **Northern/Eastern Europe** sub-segment. While the companies in Northern Europe recorded growth across the board (helped by currency translation effects), the picture was different in Eastern Europe where the encouraging business development in individual countries was countered by declines in countries such as Hungary.

In the **America/Asia/Pacific** sub-segment, turnover increased overall by 7.5 % to EUR 88.8 million (previous year: EUR 82.6 million). In the US company, the growth achieved was cancelled out by the negative currency translation effects, while the other countries on the American continents recorded encouraging rates of growth. In our markets in the Asia/Pacific region, which were also badly affected by the coronavirus pandemic in the same period the previous year, growth was recorded in most countries; however, the rate of growth was below expectations in all countries apart from China, due to the continuing negative impact of the pandemic.

Rising procurement prices increasingly impacting gross profit margin

As a consequence of the in some cases dramatic rises in procurement costs – which have so far not been able to be passed on to customers to a sufficient extent due to price increases we had already introduced – the **cost of material** in the first half of 2021 increased considerably: amounting to EUR 364.1 million, it was 21.9 % above the previous year's value of EUR 298.6 million. The prices of raw materials such as epoxy resins and dispersions and insulants as well as plastic containers such as the Sto pails saw particularly dramatic rises. Causes include plant shutdowns by suppliers of raw materials as well as a significant rise in demand as the global economy picks up. There are also capacity shortages in the logistics sector.

As a result of the increased **total revenues** amounting to EUR 783.0 million (previous year: EUR 669.2 million), **gross profit** in the Sto Group rose by 13.0 % in the first six months of 2021 to EUR 418.9 million (previous year: EUR 370.6 million), while the **gross margin rate** fell dramatically from 55.4 % to 53.5 %. Of significance here is the increasing pressure being exerted on the margin: in May, the gross profit margin was 2.8 percentage points, while in June it was 4.2 percentage points – below the level

recorded for the same months the previous year. Pressure on the gross margin rate increased significantly again in the month of July.

Personnel expenses increased by 6.7 % to EUR 198.7 million in the reporting period (previous year: EUR 186.2 million). In addition to the increase in personnel, largely due to first-time consolidations, this rise was attributable to collective bargaining effects and increased commissions paid to sales representatives based on business volumes, for example.

Other operating expenses increased by 6.2 % to EUR 128.4 million in a comparison of the half-year figures (previous year: EUR 120.9 million), mainly due to significantly higher freight costs. These resulted from the rise in business volume and the increasing shortage of freight space. The fall in **other operating income** from EUR 11.6 million to EUR 8.6 million was mainly attributable to exchange-rate related changes and lower funding from the public sector. The balance of other operating expenses and income stood at EUR -119.8 million in the reporting period (previous year: EUR -109.3 million).

Less **depreciation and amortisation**, which increased slightly from EUR 27.1 million to EUR 28.1 million, **earnings before interest and taxes (EBIT)** amounted to EUR 68.9 million during the first half of 2021 (previous year: EUR 44.1 million). Compared to the comparative value for the previous year, this is a rise of 56.2 %. The net financial income/expense figure also improved significantly from EUR -1.1 million to EUR +2.9 million. This was attributable to the deconsolidation of the shares in JONAS Farbenwerke GmbH & Co. KG, which had previously been accounted for using the equity method. **Consolidated earnings before tax (EBT)** increased by 67.4 % compared to the first half of 2020 to EUR 71.8 million (previous year: EUR 42.9 million) and **net income (EAT)** rose by 72.3 % to EUR 50.3 million (previous year: EUR 29.2 million). The profit per limited preference share amounted to EUR 7.81 (previous year: EUR 4.72) and to EUR 7.75 per limited ordinary share (previous year: EUR 4.66).

Earnings trend across the segments

In the segment of Western Europe, **earnings before interest and taxes (EBIT)** improved from EUR 36.5 million to EUR 56.4 million in a comparison of the half-year figures. In the region of Northern/Eastern Europe, EBIT increased from EUR 3.7 million to EUR 5.6 million, and in the sub-segment of America/Asia/Pacific from EUR 4.3 million to approximately EUR 7.0 million. The increase in EBIT compared to the previous year was achieved through what in some cases were substantial improvements in earnings from subsidiaries, particularly outside of Germany, while the EBIT of Sto SE & Co. KGaA in the first half of 2021 was down compared to the same period the previous year.

Significant increase in investment volume

In the first six months of 2021, Group-wide investments in **property, plant, and equipment, as well as intangible assets** increased to EUR 17.3 million (previous year: EUR 14.0 million). In the previous year, various projects had been postponed or cancelled due to the coronavirus pandemic. Among others, investments during the reporting period were made in the expansion of the production capacity at the site in Villach/Austria, which is expected to be completed in 2021, the construction of the new logistics building for Südwest Lacke + Farben GmbH & Co. KG in Böhl-Iggelheim/Germany, and the modernisation of a tunnel furnace at Ströher Produktion GmbH & Co. KG. In addition, investment expenses were incurred in relation to standard replacement and expansion measures.

Development of liquidity

Cash flow from operating activities amounted to EUR 23.1 million in the first half of 2021 compared to EUR 24.6 million in the same period the previous year. In particular, the significantly higher amount of capital that was tied up in net current assets as well as increased income tax payments were noticeable in the reporting period.

Cash flow from investment activities stood at EUR -1.9 million in the reporting period. The high previous year's value of EUR -76.7 million included a syndicated loan in the amount of EUR 80.0 million. This was used in the second quarter of 2020 as a precautionary measure to safeguard liquidity in light of the uncertainty surrounding the coronavirus pandemic. In a comparison of the half-year figures, disbursements for financial investments decreased as a result from EUR 96.9 million in the previous year to EUR 20.8 million. Deposits for financial investments stood at EUR 51.5 million at the end of June 2021 (previous year: EUR 34.6 million), meaning that cash flow from investment activities adjusted for these deposits and disbursements amounted to EUR -32.7 million at the end of June 2021 (previous year: EUR -14.4 million). In the reporting period, EUR 17.3 million were spent on investments in property, plant, and equipment, as well as intangible assets (previous year: EUR 14.0 million), while EUR 16.6 million were spent on the acquisition of consolidated companies and other business units, less acquired cash and cash equivalents (previous year: EUR 0.9 million).

Cash flow from financing activities stood at EUR -44.9 million compared to EUR +41.9 million in the first half of 2020. The majority of the change is accounted for by deposits from current borrowings, which had an impact of EUR 1.2 million in the reporting period. The previous year's value of EUR 81.7 million included the syndicated loan drawn in the amount of EUR 80.0 million. Dividend payouts accounted for EUR 31.9 million as compared to EUR 26.0 million the previous year.

As at 30 June 2021, **financial resources** came to EUR 107.8 million (previous year: EUR 117.2 million). This takes into account a total amount of EUR +1.4 million (previous year: EUR -1.2 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 2020, cash dropped by EUR 22.2 million.

Asset situation remains sound

As at 30 June 2021, the **consolidated statement of financial position** of Sto SE & Co. KGaA witnessed an increase from EUR 973.8 million to EUR 1,056.2 million compared to the 2020 year end (30 June 2020: EUR 1,010.8 million). The majority of the changes are due to the seasonal nature of business activities.

Total **non-current assets** increased from EUR 462.7 million to EUR 477.1 million (30 June 2020: EUR 456.6 million). Fixed assets increased from EUR 399.7 million to EUR 415.1 million (30 June 2020: EUR 397.7 million), while other non-current assets decreased slightly since the beginning of the year from EUR 63.0 million to EUR 62.0 million (30 June 2020: EUR 58.8 million).

Total **current assets** increased compared to 31 December 2020 from EUR 511.1 million to EUR 579.1 million (30 June 2020: EUR 554.3 million). Due to the seasonal nature of business, first-time consolidation effects, and the influence of higher cost prices, inventories were increased from EUR 103.2 million to EUR 132.1 million (30 June 2020: EUR 122.7 million). As is customary in the first half of the year, current trade receivable rose significantly from EUR 128.7 million to EUR 230.0 million (30 June 2020: EUR 193.8 million). The change in current financial

assets was mainly due to the seasonally higher financing requirements for ongoing business. In total, this balance sheet item decreased in the first half of the year from EUR 119.4 million to EUR 85.0 million (30 June 2020: EUR 95.6 million). As compared to the 2020 year end, cash and cash equivalents decreased from EUR 130.0 million to EUR 107.8 million (30 June 2020: EUR 117.2 million).

On the **liabilities side, equity** in the Group increased from EUR 531.4 million to EUR 560.6 million (30 June 2020: EUR 486.9 million). Accordingly, the **equity ratio** improved to 53.1 % at the end of June (31 December 2020: 54.6 %; 30 June 2020: 48.2 %).

Non-current provisions and liabilities stood at EUR 197.9 million at the mid-point of 2021 compared to EUR 204.5 million on 31 December 2020 (30 June 2020: EUR 195.6 million). Post-employment benefit provisions fell significantly from EUR 132.5 million to EUR 122.0 million as a consequence of the slightly higher discount rate in the eurozone (30 June 2020: EUR 125.3 million).

Within the **current provisions and liabilities**, which increased overall in the first six months of the year from EUR 238.0 million to EUR 297.7 million (30 June 2020: EUR 328.3 million), other current liabilities grew from EUR 52.5 million to EUR 89.5 million (30 June 2020: EUR 81.0 million), mainly due to the seasonal nature of business. Trade payables stood at EUR 99.4 million at the end of June 2021 (31 December 2020: EUR 51.5 million; 30 June 2020: EUR 77.7 million), while current financial liabilities decreased compared with year-end 2020 from EUR 38.7 million to EUR 17.0 million (30 June 2020: EUR 14.1 million).

On 30 June 2021, total current and non-current borrowings in the Sto Group amounted to EUR 10.4 million (31 December 2020: EUR 12.9 million). The previous year's value in the amount of EUR 91.9 million included EUR 80.0 million from the partial withdrawal of the syndicated loan that Sto carried out as a precautionary measure in the first half of the year. On 31 December 2020, the amount withdrawn was paid back in full. Taking into account cash stocks, **net financial assets** stood at EUR 97.4 million at the mid-point of 2021 (31 December 2020: EUR 117.1 million; 30 June 2020: EUR 25.3 million).

Employees

As at 30 June 2021, the Sto Group had 5,713 employees compared to 5,545 at the 2020 year end (+168 employees; +3.0 %) and 5,646 on the same day of the previous year (+67 employees; +1.2 %). In **Germany**, the workforce had increased by 106 to 3,101 employees since the middle of 2020 (previous year: 2,995), 94 of whom were employed by Jonas Farben GmbH.

Outside of Germany, the number of employees fell by 39 compared to the same day of the previous year, from 2,651 to 2,612. A comparison with the previous year showed a small number of new hires across the Group in countries with short- and medium-term growth prospects, while the workforce was selectively reduced in regions battling difficult economic conditions. The percentage of the Group's workforce employed abroad fell from 47.0 % to 45.7 %.

At the mid-point of 2021, a total of 4,368 employees (previous year: 4,267) were working for Sto in Western Europe (including Germany), 642 (previous year: 658) in the Northern/Eastern Europe sub-segment, and 703 (previous year: 721) in the America/Asia/Pacific region.

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 2020 Annual Report, which can be downloaded from our website.

Risks and opportunities report

The risks and opportunities for the Sto Group, which have not changed significantly since the preparation of the 2020 consolidated annual financial statement, are described in detail in the Group management report. The report also explains the structure of the risk management and internal control system (ICS) in detail. 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

According to the latest IMF forecast, the global economy is set to grow by 6 % this year. In industrialised countries, the growth rate is 5.6 %, with GDP anticipated to rise by 5.8 % in France, 4.9 % in Italy, and 6.2 % in Spain. In the group of the four largest European countries, Germany has the lowest economic growth figure of 3.6 %. In the USA, the government's economic package in particular is contributing to growth, which is set to be 7.0 % according to the IMF. By contrast, the IMF lowered the forecast for various developing and emerging countries in its July update, primarily due to the rapid spread of the delta variant of the coronavirus and the lower vaccination rates in these regions. In total, an increase in GDP of 6.3 % is anticipated for these countries. In China, growth of 8.1 % is expected.

International construction industry

With regard to the main construction sector in **Germany**, the HDB (General association for the German construction industry) and ZDB (German Construction Confederation) are predicting that turnover will stagnate nominally this year. In the residential construction sector, growth of 3 % is expected, primarily as a result of the sustained high demand pressure on the housing markets in the metropolitan areas and the extremely low interest rate. A decline of 2 % is expected in both commercial construction and public-sector construction.

The Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry) expects the exceptional boom in the DIY market to peter out in 2021 and predicts that turnover within the architectural coatings sector as a whole will drop by 8 % in terms of volume. Within the EWIS market, the market research institute B+L Marktdaten GmbH is anticipating only a slight increase in volume of 1.9 %.

According to EUROCONSTRUCT, the **European construction sector** is going to experience further growth in 2021. In its June 2021 forecast, the network anticipates that production will grow by 3.8 % in the 19 member states, following on from the decline of 5.1 % recorded in the previous year.

The construction industry in the **USA** is associated with various risks in 2021. According to the estimate by GTAI, investments in residential construction could be below the very high base values of 2020 and construction projects in the non-residential construction sector may continue to decline. However, the planned

“Green New Deal” investment programme, which aims to link the post-pandemic economic recovery with the eco-friendly transformation of the US economy is likely to boost turnover. Among other aspects, energy-efficient refurbishment measures are set to be incorporated into commercial buildings and private homes, and sustainable homes are to be built.

The construction sector in **China** is expected to grow once again in 2021. This is due to the fact that the internal market is not yet saturated (as there is a shortage of investment alternatives), the construction sector is benefiting from cheap money (which many state-run companies can access), and the Chinese economy is picking up again. The unabating urbanisation process also remains a driver of growth.

2021 outlook for the Sto Group

For the second half of 2021, a significant slowdown in growth is expected due to the increasingly difficult general conditions. Moreover, the further development of business for the Sto Group will be characterised by considerable uncertainties. Considerable uncertainties arise from the weather conditions in the last few months of this year, which had provided a clearly positive boost to business performance in the same period of 2020. Furthermore, the forecast is shrouded in a great deal of uncertainty, in light of the dramatic resurgence in COVID-19 cases and the still unpredictable responses of the respective governments which could significantly affect business development, as well as due to the unclear development of the procurement markets. In particular, the supply bottlenecks in the global markets, which in some cases are of fundamental importance, and the limited availability of raw materials and bought-in products may limit planned growth in the usually strong second half of the year to a higher than anticipated degree. This is due to the fact that construction projects may not be able to be carried out as planned and catch-up effects may not be seen to the same extent as in the first half of the year. The sustained pressure on the gross profit margin which is expected to continue due to dramatic increases in procurement prices may also impact the development of earnings to a higher extent than predicted – in the case of extreme development, the effect may be even greater degree than outlined in the risk report of the 2020 Annual Report.

Based on the current estimate, Sto is anticipating that consolidated turnover for the year 2021 as a whole will increase by 10 % to approximately EUR 1,578 million (previous forecast: +4.5 %, approximately EUR 1,498 million; 2020: EUR 1,433 million). Group EBIT is still expected to fall between EUR 98 million and EUR 113 million (2020: EUR 120.8 million). Similarly, for earnings before taxes EBT we are expecting the range to remain unchanged, falling between EUR 95 million and EUR 110 million (2020: EUR 119.0 million). Where the resulting return on sales is concerned, we are therefore expecting to see a value between 6.0 % and 7.0 % (previous forecast: between 6.3 % and 7.3 %, 2020: 8.3 %) and after allowing for the application of IFRS 16, we are still expecting the return on capital employed (ROCE) to be between 14.8 % and 17.1 % (2020: 19.7 %).

At the mid-point of 2021, Sto has started to implement the measures derived from the strategy review. These focus on three key objectives: improving growth, increasing profit, and expanding our core competence. The objectives will be realised through a total of 14 core initiatives. Among other aspects, the opportunities that arise for Sto as a result of the globally defined climate action targets and the potential of digitisation are set to be harnessed to an even greater degree. Defining sustainability as one of Sto's core competencies is also one of the core initiatives. As its financial goal, the Sto Group is aiming for a turnover of EUR 2.1 billion and a return on sales of 10 % in relation to EBT by 2025.

Stühlingen/Germany, August 2021

Sto SE & Co. KGaA
represented by STO Management SE

Executive Board

Sto SE & Co. KGaA, Stühlingen/Germany
Condensed consolidated statement of profit and loss
for the period from 1 January to 30 June 2021

	30 June 2021	30 June 2020
	EUR K	EUR K
1. Revenue	778,066	664,469
2. Changes in product inventories	4,967	4,757
3. Other internally generated assets capitalised	9	0
Total revenues	783,042	669,226
4. Other operating income	8,572	11,608
5. Cost of materials	-364,139	-298,562
6. Personnel expenditure	-198,725	-186,207
7. Other operating expenses	-128,396	-120,874
8. Impairment (net) of financial assets	-3,314	-4,011
EBITDA (earnings before interest, taxes, depreciation and amortisation)	97,040	71,180
9. Depreciation and amortisation of intangible assets as well as property, plant and equipment	-28,143	-27,114
EBIT (earnings before interest and taxes)	68,897	44,066
10. Financial income	2,938	-1,137
EBT (earnings before taxes)	71,835	42,929
11. Taxes on income and earnings	-21,538	-13,737
EAT (earnings after taxes)	50,297	29,192
of which:		
Share of minority interests	368	-888
Share attributable to the shareholder Sto SE & Co. KGaA	49,929	30,080
Earnings per share basic/diluted in EUR		
Limited ordinary share	7,75	4,66
Limited preference share	7,81	4,72

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of comprehensive income
for the period from 1 January to 30 June 2021

	30 June 2021	30 June 2020
	EUR K	EUR K
EAT (earnings after tax)	50,297	29,192
Currency translation:		
Currency translation differences	2,843	-4,153
Earnings to be reclassified in the statement of profit and loss in future periods	2,843	-4,153
Revaluation of post-employment benefit obligations		
Gains/loss from the revaluation of defined benefit plans	11,650	0
Deferred taxes	-3,670	0
Earnings not to be reclassified in the statement of profit and loss in future periods	7,980	0
Other earnings after taxes	10,823	-4,153
Total comprehensive earnings after taxes	61,120	25,039
of which:		
Share of minority interests	368	-888
Share attributable to the shareholder Sto SE & Co. KGaA	60,752	25,927

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of financial position as at 30 June 2021

Assets	30 June 2021	31 Dec 2020	30 June 2020
	EUR K	EUR K	EUR K
A. Non-current assets			
I. Intangible assets	70,939	55,748	65,619
II. Property, Plant and Equipment	281,359	269,123	260,550
III. Rights of use	62,311	63,590	60,931
IV. Financial assets accounted for using the equity method	445	11,230	10,626
Fixed assets	415,054	399,691	397,726
V. Non-current trade receivables	1,631	1,685	2,253
VI. Non-current financial assets	26,246	26,308	26,886
VII. Other non-current assets	1,402	1,717	214
VIII. Deferred tax assets	32,766	33,291	29,490
Other non-current assets	62,045	63,001	58,843
Total non-current assets	477,099	462,692	456,569
B. Current assets			
I. Inventories	132,117	103,208	122,692
II. Current trade receivables	230,016	128,728	193,809
III. Current income tax receivables	2,459	1,917	2,759
IV. Current financial assets	84,958	119,413	95,621
V. Other current assets	21,784	27,792	22,179
VI. Cash and cash equivalents	107,801	130,043	117,197
Total current assets	579,135	511,101	554,257
Total assets	1,056,234	973,793	1,010,826

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of financial position as at 30 June 2021

Equity and liabilities	30 June 2021	31 Dec 2020	30 June 2020
	EUR K	EUR K	EUR K
A. Equity			
I. Subscribed capital	17,556	17,556	17,556
II. Capital reserves	57,804	57,804	57,804
III. Revenue reserves and other reserves	482,109	453,254	409,827
Share attributable to the shareholders of Sto SE & Co. KGaA	557,469	528,614	485,187
IV. Share of minority interests	3,123	2,755	1,705
Total equity	560,592	531,369	486,892
B. Non-current provisions and liabilities			
I. Provisions for post-employment benefits and similar liabilities	121,987	132,466	125,263
II. Other non-current provisions	19,189	19,198	17,928
III. Non-current borrowings	2,891	5,269	3,644
IV. Non-current lease liabilities	45,317	46,153	44,710
V. Non-current financial liabilities	225	225	748
VI. Other non-current liabilities	3	3	3
VII. Deferred tax liabilities	8,330	1,140	3,308
Total non-current provisions and liabilities	197,942	204,454	195,604
C. Current provisions and liabilities			
I. Other current provisions	45,770	49,432	41,209
II. Current borrowings	7,491	7,654	88,315
III. Current lease liabilities	18,502	18,583	18,340
IV. Current trade payables	99,351	51,480	77,713
V. Current income tax liabilities	20,060	19,654	7,701
VI. Current financial liabilities	16,983	38,664	14,095
VII. Other current liabilities	89,543	52,503	80,957
Total current provisions and liabilities	297,700	237,970	328,330
Total debt capital	495,642	442,424	523,934
Total equity and liabilities	1,056,234	973,793	1,010,826

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 30 June 2021

in EUR K	Equity attributable to the shares of the parent company				
	Subscribed capital	Capital reserves	Revenue reserves	Currency translation reserve	Reserve for pensions
As at 31 December 2019	17,556	57,804	472,048	4,983	-43,198
EAT (earnings after taxes)	0	0	30,080	0	0
Other earnings (after taxes)	0	0	0	-4,153	0
Total comprehensive earnings	0	0	30,080	-4,153	0
Dividend payout	0	0	-26,049	0	0
Changes to the companies consolidated	0	0	-17	0	0
Minority shares from corporate acquisition	0	0	-813	0	0
As at 30 June 2020	17,556	57,804	475,249	830	-43,198
As at 31 December 2020	17,556	57,804	526,389	-2,604	-47,476
EAT (earnings after taxes)	0	0	49,929	0	0
Other earnings (after taxes)	0	0	0	2,843	7,980
Total comprehensive earnings	0	0	49,929	2,843	7,980
Dividend payout	0	0	-31,897	0	0
Changes to the companies consolidated	0	0	0	0	0
Minority shares from corporate acquisition	0	0	0	0	0
As at 30 June 2021	17,556	57,804	544,421	239	-39,496

Treasury stock	Total	Share of minority interests	Total Equity Capital
-23,055	486,140	393	468,532
0	30,080	-888	29,192
0	-4,153	0	-4,153
0	25,927	-888	25,039
0	-26,049	0	-26,049
0	-17	0	-17
0	-813	2,200	1,387
-23,055	485,188	1,705	486,892
-23,055	528,614	2,755	531,369
0	49,929	368	50,297
0	10,823	0	10,823
0	60,752	368	61,120
0	-31,897	0	-31,897
0	0	0	0
0	0	0	0
-23,055	557,469	3,123	560,592

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated cash flow statement
for the period from 1 January to 30 June 2021

	30 June 2021 EUR K	30 June 2020 EUR K
Cash flow from operating activities		
EAT (earnings after taxes)	50,297	29,192
Reconciliation of EAT (earnings after taxes) and cash flow from operating activities		
Taxes on income and earnings	21,538	13,737
Net financial income/expense	-2,938	1,137
EBIT (earnings before interest and taxes)	68,897	44,066
Depreciation of fixed assets	28,143	27,113
Earnings from disposal of fixed assets	-367	-108
Income taxes paid	-17,474	-11,784
Change in provisions	-2,720	-5,658
Change in net current assets	-53,355	-29,077
Cash flow from operating activities	23,124	24,552
Cash flow from investment activities		
Investments in Property, Plant and Equipment, and Intangible assets	-17,305	-13,976
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)	-16,602	-944
Payments received from the disposal of Intangible assets and Property, Plant and Equipment	976	245
Interest payments received	223	279
Disbursements for financial investments	-20,767	-96,895
Deposits from financial investments	51,539	34,582
Cash flow from investment activities	-1,936	-76,709
Cash flow from financing activities		
Disbursements for the repayment portion of the lease liabilities	-10,809	-10,407
Payments for non-current borrowings	-927	0
Payments received for current borrowings	1,166	81,700
Payments for current borrowings	-1,834	-2,942
Dividend payout	-31,897	-26,049
Payments of interest	-564	-357
Cash flow from financing activities	44,865	41,945
Changes in cash and cash equivalents due to changes in exchange rates and in impairments due to expected losses on cash and cash equivalents in accordance with IFRS 9	1,435	-1,198
Cash and cash equivalents at the beginning of the period	130,043	128,607
Change in cash and cash equivalents	-22,242	-11,410
Cash and cash equivalents at the end of the period*	107,801	117,197

* Cash and cash equivalents at the end of the period equal the item Cash and cash equivalents shown in the balance sheet

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated segment reporting
for the period from 1 January to 30 June 2021

Information on geographic segments by sales markets (in EUR K)	Western Europe	Other		Reconciliation/consolidation booking entries	Group
		Northern / Eastern Europe	America / Asia / Pacific		
External revenues	615,870	73,424	88,772	0	778,066
Inter-segment revenues	21,421	1,084	47	-22,552	0
Segment revenues	637,291	74,508	88,819	-22,552	778,066
EBITDA	77,657	9,262	10,145	-24	97,040
Depreciation / amortisation	21,244	3,704	3,195	0	28,143
EBIT (earnings before interest and taxes)	56,413	5,558	6,950	-24	68,897
EBT (earnings before taxes)	55,514	5,500	6,990	3,831	71,835
Investments	15,320	851	1,134	0	17,305
Employees as at the balance sheet date	4,368	642	703	0	5,713

for the period from 1 January to 30 June 2020

Information on geographic segments by sales markets (EUR K)	Western Europe	Other		Reconciliation/consolidation booking entries	Group
		Northern / Eastern Europe	America / Asia / Pacific		
External revenues	513,933	67,891	82,645	0	664,469
Inter-segment revenues	19,701	931	112	-20,743	0
Segment revenues	533,633	68,822	82,757	-20,743	664,469
EBITDA	56,640	7,186	7,729	-375	71,180
Depreciation / amortisation	20,140	3,498	3,476	0	27,113
EBIT (earnings before interest and taxes)	36,500	3,688	4,253	-375	44,066
EBT (earnings before taxes)	35,444	3,631	4,274	-420	42,929
Investments	11,980	1,314	681	0	13,975
Employees as at the balance sheet date	4,267	658	721	0	5,646

Notes to the condensed consolidated interim financial statement for the period from 1 January to 30 June 2021

1. Basis of preparation

Sto SE & Co. KGaA prepared its consolidated annual financial statement of the Group for the 2020 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 2021 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 2020.

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 23 August 2021.

2. Accounting and measurement principles

In order to draw up the condensed consolidated interim financial statement the accounting methods applicable as at 31 December 2020 for the consolidated financial statement were adopted unchanged. A detailed description of these accounting policies was published in the Notes to the 2020 consolidated financial statement.

IAS 19 — Employee Benefits

In the consolidated interim financial statement, a discount rate for post-employment benefit provisions of 1.05 % (31 December 2020: 0.55 %) was used for companies with the euro as their functional currency. For companies with a different functional currency, the discount rate was 0.15 % (31 December 2020: 0.15 %). In each case, the adjustment of the post-employment benefit provision was carried out on 31 December 2020 and took into account the actuarial sensitivity.

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.

IAS 20 — Disclosure of Government Assistance

Government grants are recognised in accordance with IAS 20 if it is certain that the conditions associated with the grants will be met and the funding will be granted.

Grants paid as compensation for expenses already incurred or for immediate financial support without related expenses are recognised with an impact on profit and loss as soon as the corresponding claim arises.

As at 30 June 2021, government grants amounted to EUR 2,765 K (30 June 2020: EUR 4,132 K). These include government subsidies granted in relation to the coronavirus pandemic. Of this amount, Sto Corp. Atlanta/USA realised USD 2,539 K.

In the consolidated statement of profit and loss, government grants are reported under other operating income.

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.

As at 28 February 2021, Sto SE & Co. KGaA acquired the remaining 50.2 % of the equity shares and voting rights of Jonas GmbH, Wülfrath/Germany, as well as JONAS Farbenwerke GmbH & Co. KG Wülfrath/Germany, thereby gaining control in the sense of inclusion in the consolidated annual financial statements through ownership of 100 % of the shares. The deconsolidation of the shares consolidated using the equity method during the course of full consolidation as a result of gaining control resulted in an income of EUR 3,461 K.

The total purchase price amounted to EUR 33,387 K. This comprises the acquisition of fixed assets worth EUR 21,444 K, which include property and buildings with a purchase price of EUR 9,856 K, the acquisition of current assets worth EUR 1,384 K, and goodwill of EUR 10,559 K. Sales revenue since the acquisition has amounted to EUR 13,035 K and since the start of the year to EUR 18,509 K.

Purchase price allocation in accordance with IFRS 3 is entirely on a preliminary basis. The corresponding data entries are therefore subject to change prior to finalisation.

4. 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 2021 and 30 June 2020 there were no potential shares. Hence, basic earnings per share for both years correspond to diluted earnings per share.

In the first half of 2021, a dividend of EUR 0.25 as well as an extra dividend of EUR 4.69 per limited ordinary share, and a dividend of EUR 0.31 as well as an extra dividend of EUR 4.69 per limited preference share, were distributed for the 2020 fiscal year. This corresponds to a total dividend payout of EUR 31,897 K. The dividend was paid out on 16 June 2021 in accordance with the resolution of the Annual General Meeting of 21 June 2021.

5. Intangible assets and property, plant and equipment

In the period from 1 January to 30 June 2021, the Sto Group acquired assets at acquisition costs of EUR 17,305 K (first half of 2020: EUR 13,975 K). In the same period, assets were sold with a carrying value of EUR 697 K (first half of 2020: EUR 141 K).

6. 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 valuation is made on the basis of valuation methods in which the influencing factors are derived either directly or indirectly from observable market data. In the reporting period, this related exclusively to derivative financial instruments in the form of currency hedges or forward exchange transactions that were not included in hedge accounting. They were valued 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 following table shows carrying amounts and fair values of financial instruments as at 30 June 2021:

in EUR K	Carrying amount 30 June 2021	Fair value 30 June 2021
Financial assets		
Non-current		
Investments	4	4
Loans	3	3
Financial investments	25,755	25,906
Other financial assets	484	484
Total non-current financial assets	26,246	26,397
Current		
Financial investments	81,184	81,353
Loans	644	644
Forward exchange contracts	144	144
Creditors with a debtor balance	1,280	1,280
Bonuses and credits	371	371
Other financial assets	1,335	1,335
Total current financial assets	84,958	85,127
Total financial assets	111,204	111,524
Financial liabilities		
Non-current		
Borrowings	2,891	2,891
Other financial liabilities	225	225
Total non-current financial liabilities	3116	3116
Current		
Borrowings	7,491	7,491
Forward exchange contracts	795	795
Other financial liabilities	16,188	16,188
Current financial liabilities in total	24,474	24,474
Total financial liabilities	27,590	27,590

The carrying amounts of cash and cash equivalents, receivables and liabilities from deliveries and services correspond mainly to the fair values 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 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit and loss				
- Derivatives with no hedge relationship	144	0	144	0
- Other	4	0	0	4
Financial assets measured at fair value with no impact on profit and loss				
- Financial assets held for trading	24,894	24,894	0	0
Financial assets measured at fair value	25,042	24,894	144	4
Financial liabilities measured at fair value through profit and loss				
- Derivatives with no hedge relationship	795	0	795	0
Financial liabilities measured at fair value	795	0	795	0

7. Contingencies and contingent liabilities

As at 30 June 2021, liabilities for the acquisition of property, plant, and equipment stood at EUR 6,315 K (30 June 2020: EUR 3,403 K). Other contingencies and contingent liabilities contained in the 2020 consolidated annual financial statement of the Sto Group showed no appreciable changes.

8. Related party disclosures

The volume of deliveries and services in the first half year between companies of the 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	
		2021	2020	2021	2020	2021	2020	2021	2020
Inotec GmbH, Waldshut-Tiengen/Germany	47.5 %	18	20	2,254	2,241	502	655	323	527
JONAS Farbenwerke GmbH & Co. KG, Wülfrath/Germany	49.8 %	124	172	0	0	0	871	0	0
STO Management SE, Stühlingen/Germany		252	319	2,580	2,047	50	63	3,157	1,437
Other		0	0	111	37	0	0	0	0

9. Events following the conclusion of the reporting period

Between the end of the reporting period and the point at which this report was signed off, there were no other events with a significant impact on the earnings, finance, and asset situation of the Group.

However, it is difficult to predict how the coronavirus pandemic is set to continue and what impact it will have on the global economy, as well as the ongoing development of the procurement markets.

Responsibility statement by the legal representatives

To the best of our knowledge and in accordance with the applicable accounting principles for half-year financial reporting, we confirm that the interim consolidated financial statement provides a true and fair view of the asset situation, financial position and earnings of the Group and that the consolidated interim management report presents a true and fair review of business performance, including the operating result and position of the Group, together with a description of the principal opportunities and risks associated with the anticipated performance of the Group throughout the remainder of the fiscal year.

Stühlingen/Germany, 23 August 2021

Sto SE & Co. KGaA
represented by STO Management SE

Executive Board



Rainer Hüttenberger
(Spokesman)



Michael Keller



Jan Nissen



Rolf Wöhrle