



Building with conscience.

Sto SE & Co. KGaA, Stühlingen/Germany

Interim financial report

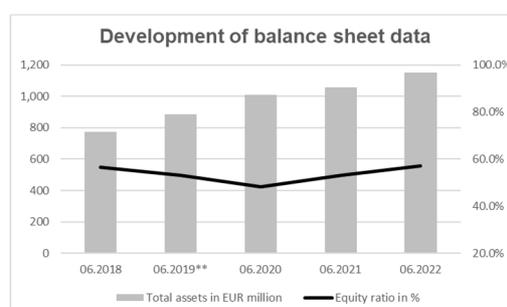
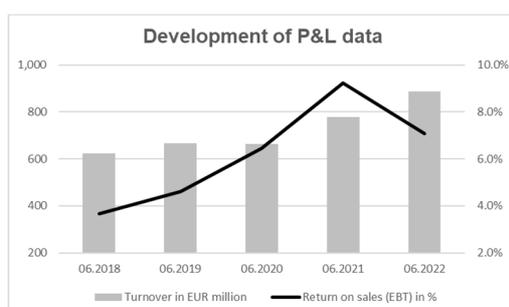
In accordance with Section 115 WpHG

For the period from 1 January to 30 June 2022



Sto at a glance	1 January 2022- 30 June 2022	1 January 2021- 30 June 2021	Changes in %
Turnover	888.4	778.1	14.2
Germany	373.4	342.1	9.2
Outside of Germany	515.0	436.0	18.1
Investments (without: financial assets and IFRS 16)	14.4	17.3	-16.8
EBITDA	94.0	97.0	-3.1
EBIT	64.0	68.9	-7.1
EBT	62.9	71.8	-12.4
Return on sales (EBT) (%)	7.1	9.2	
ROCE (%)*	8.7	10.9	
Cash flow from operating activities	-22.2	23.1	-196.1
Employees	5,796	5,713	1.5
of which in Germany	3,116	3,101	0.5
of which outside of Germany	2,680	2,612	2.6

(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 liabilities.

** 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: Martin Baitinger, Böblingen/Germany

Overview of the first half of 2022

- **Significant growth in the first half of 2022: consolidated turnover up by 14.2 % to EUR 888.4 million compared to the same period of the previous year**
- **Turnover in Germany increases by 9.2 % to EUR 373.4 million and volume outside of Germany by 18.1 % to EUR 515.0 million**
- **Income situation under pressure due to rising procurement prices: gross profit margin falls from 53.5 % to 50.2 %**
- **Despite higher business volume, consolidated EBIT decreases by 7.1 % to EUR 64.0 million and consolidated EBT by 12.4 % to EUR 62.9 million**
- **Number of employees in the Group up by 83 to 5,796**
- **Turnover forecast for the year of 2022 as a whole adjusted due to current estimates: increase to around EUR 1.79 billion expected (previous forecast: around EUR 1.74 billion); earnings forecast unchanged: EBIT expected to fall between EUR 114 million and EUR 134 million and EBT between EUR 112 million and EUR 132 million (in each case without factoring in the quantitative influence of the Russia-Ukraine conflict, which cannot be reliably assessed at present)**

Consolidated interim management report for the first half of 2022

Business and general conditions

The company

Sto is a major international manufacturer of products and systems for building coatings. The product range is divided into four product groups. The core business of facade systems – which contributed 48.0 % to consolidated turnover in the first half of 2022 – mainly consists of external wall insulation systems (EWIS), a segment in which the company occupies a leading position, and rainscreen cladding facades (RSC). Secondly, there is the facade coatings product group, which covers render and paint systems for external applications. In the reporting period, this accounted for 22.0 % of consolidated turnover. The third group is products for interiors, which, for example, includes plaster and paint systems for home and office interiors, as well as decorative coatings, interior claddings, and acoustic systems for regulating sound. This group contributed 15.4 % to turnover in the first six months. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair. The activities allocated to these other product groups generated 14.6 % of consolidated turnover.

There have been no changes to the structure and management system of the Sto Group in the first half of 2022. These are described in detail in the 2021 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.

Business development in the first half of 2022 and general statement by the Executive Board

In the first half of 2022, Sto SE & Co. KGaA achieved significant organic growth in turnover. Along with sales development, as time went on this could increasingly be attributed to price effects resulting from the sales price rises that the company had to introduce. Driven by demand for facade systems in particular, something that was helped by favourable weather conditions and backlogs from the previous year, the increase in turnover in the first three months continued into the second quarter, although momentum was slightly weakened. After very subdued business development in April, the month of May saw the company reach a new record in terms of turnover of a single month. The month of June was also up on the previous year and exceeded expectations.

Sto consolidated turnover increased by 14.2 % in total compared to the first half of the previous year. Adjusted for first-time consolidation and the net positive currency translation effects, growth was 12.7 %. The income situation of the Sto Group was characterised by an unusually high price level in procurement and on the energy markets, as well as by supply bottlenecks that also obstructed process flows. In the first six months of 2022, the Sto Group's EBIT remained 7.1 % below the previous year's level despite the much higher turnover volume, while EBT fell by 12.4 %, and EAT by 12.5 %.

The high sales volume and very difficult task of securing supplies to customers, given the interruptions being experienced in the supply chain, meant Sto employees were

faced with enormous challenges once again in this reporting period. In managing their tasks, they demonstrated above-average flexibility and commitment to their work, which is not always a given. We would like to thank our workforce most sincerely for the dedication they have shown.

Economic conditions

Overall economy

During the first half of 2022, the global economy was suffering the effects of rising inflation, China's zero-Covid policy, and especially the Russia-Ukraine conflict, which unleashed a humanitarian crisis and had significant adverse political and economic effects. As these factors had a much greater impact than expected, the International Monetary Fund (IMF) revised its outlook for global growth substantially downwards in July 2022 and now forecasts an increase of just 3.2 % this year. That is 0.4 percentage points lower than the previous forecast published in April.

Despite the difficult general conditions, the German economy began 2022 with slight growth. During the first quarter, gross domestic product (GDP) rose by 0.2 % compared to the fourth quarter of 2021. From January to March, private and governmental consumption expenditure hovered around the same level as the previous quarter (-0.1 % and +0.1 %). Investments, however, were a strong driver of growth: thanks to the mild weather, construction investments in particular increased substantially in the first three months of the year, while the external balance dampened economic growth. In the second quarter, the German economy stagnated: GDP remained unchanged compared to the first three months. The Federal Statistical Office of Germany attributed this subdued economic development primarily to the difficult global economic conditions caused by the ongoing coronavirus pandemic, disrupted supply chains, rising prices, and the war in Ukraine.

International construction industry

According to calculations made by the Federal Statistical Office of Germany, turnover in the **German main construction sector** increased in the first five months of 2022 by a nominal 14.4 % compared to the same period in the previous year, although this equated to a decline of 0.4 % in real terms due to high construction prices. During this period, incoming orders adjusted for price changes fell by 1.7 %, while they grew nominally by 13.6 % compared to the same period in 2021. According to the ifo Institute, material is in short supply in many areas, with 47.1 % of building contractors reporting supply bottlenecks, compared to 56.6 % in the previous month. This scarcity combined with high energy prices has led to price increases for many building materials. From January to May 2022, the number of building permits granted for residences in Germany was 1.6 % below the previous year's level.

Despite the Russia-Ukraine conflict, the **European construction industry** is still on an expansion course, but in the first half of the year it was plagued by the sometimes poor supply of construction materials. Combined with huge increases in the price of crude oil and natural gas, this not only resulted in an uplift in the price of scores of building materials, but it also meant transport and fleet costs continued to rise as well. According to Eurostat, EU-wide production in the construction industry grew by 3.5 % in the first quarter of 2022 compared to the previous quarter, equating to growth of 5.6 % compared to the same period in the previous year. Production then dropped as the year progressed, decreasing by 1.1 % in April compared to the month prior, then seeing slight growth of 0.8 % in May.

According to data from GTAI (Germany Trade & Invest), construction activity in the **USA** picked up in 2022, with most of that growth being attributed to government

investment in infrastructure and to the construction of industrial plants. In terms of building construction, higher mortgage rates and rising prices are having an effect on building materials, as well as transport and staff costs. According to FMI, a management consulting and investment banking firm specialising in the construction industry, investment targets are shifting within the sector: although residential construction is still the most significant area in terms of volume, expenditure on non-residential construction is also picking up for the first time in two years.

In the course of the year to date, the economy in **China** has been significantly curtailed by the restrictions introduced in pursuit of the country's zero-Covid strategy. In the second quarter, the world's second-largest economy grew by just 0.4 % according to the National Bureau of Statistics of China. That is the weakest quarterly growth since the start of the coronavirus pandemic. The first half of the year saw total growth of 2.5 %.

Income, financial and asset situation of the Sto Group

Consolidated turnover 14.2 % above previous year's level

In the first half of 2022, the **consolidated turnover** of Sto SE & Co. KGaA amounted to EUR 888.4 million (previous year: EUR 778.1 million) and exceeded the previous year's value by 14.2 %. Sto has therefore achieved another new record. Currency translation effects led to a net positive in the amount of EUR 7.1 million. The US dollar, the Swiss franc, and the Chinese renminbi, in particular, were revalued in the reporting period, while the Turkish lira was significantly depreciated. This was coupled with a first-time consolidation effect in the amount of EUR 4.8 million, caused by the change in the companies consolidated during the course of the previous year. Adjusted for first-time consolidation and currency translation effects, the Sto Group achieved considerable organic growth of 12.7 % compared to the first half of 2021.

In **Germany**, consolidated turnover until the end of June increased by 9.2 % to EUR 373.4 million (previous year: EUR 342.1 million), above all due to good turnover development in external wall insulation systems. Without taking the first-time consolidation effect into account, the increase was 7.8 %. **Outside of Germany**, several countries benefited from government-backed incentives to support energy-efficient building refurbishment. Total growth in turnover of 18.1 % to EUR 515.0 million (previous year: EUR 436.0 million) was also driven by positive currency translation effects. Compared to the same period of the previous year, the share of Sto Group turnover generated abroad increased from 56.0 % to 58.0 %.

In **July 2022**, turnover exceeded the previous year's value but remained below our expectations. The increase in procurement costs continued. Earnings in July remained both below the previous year's value and below expectations. Consolidated earnings until the end of July failed to meet the previous year's level despite the significant growth in turnover.

Turnover trend across the segments

In the segment of **Western Europe** – including Germany – turnover volume grew by 14.4 % to EUR 704.4 million in the first half of 2022 (previous year: EUR 615.9 million), taking into account first-time consolidation effects. The companies in Italy and France achieved especially high growth, which is due to the very successful incentives provided for energy-efficient building refurbishment. Positive currency translation effects were noticeable in Switzerland in particular.

Growth of 17.3 % to EUR 86.1 million (previous year: EUR 73.4 million) was achieved in the **Northern/Eastern Europe** segment, with Northern European companies and those in Eastern Europe reporting good turnover development in the main.

In the **America/Asia/Pacific** segment, turnover increased overall by 10.3 % to EUR 97.9 million (previous year: EUR 88.8 million). Currency translation effects boosted the growth achieved by the company in the USA, while the positive currency impact in China was more than cancelled out by the drastic measures taken to mitigate the coronavirus pandemic there.

Pressure on earnings due to high procurement prices

The income situation in the first half of 2022 was put under strain not only by the fact that procurement costs were still increasing significantly and the extra expense could not be passed on to the customer in full as price rises had already been introduced, but also by higher prices in the energy sector, which became ever more noticeable during the second quarter in particular. The **cost of material** rose by 22.6 % to EUR 446.2 million throughout the entire reporting period (previous year: EUR 364.1 million). In spite of the 14.5 % increase in **total revenues** in the amount of EUR 896.8 million (previous year: EUR 783.0 million), the **gross margin rate** fell from 53.5 % to 50.2 %.

Personnel expenses stood at EUR 210.9 million in the reporting period (previous year: EUR 198.7 million), which put them 6.1 % higher than in the same period the previous year. In addition to the moderate increase in personnel, this rise was attributable to collective bargaining effects and increased commissions paid to sales representatives based on business volumes, for example.

Other operating expenses rose by 19.2 % to EUR 153.1 million (previous year: EUR 128.4 million), mostly due to considerably higher freight charges and changes in the exchange rate. Advertising, travel, and entertainment expenses were also significantly above the previous year's level, which was more strongly affected by the coronavirus pandemic. **Other operating income** increased from EUR 8.6 million to EUR 12.1 million. Along with positive currency translation effects, income was also obtained, among others, from asset disposals during the reporting period. The balance of other operating expenses and income stood at EUR -141.0 million in the reporting period (previous year: EUR -119.8 million).

Less **depreciation and amortisation**, which increased slightly from EUR 28.1 million to EUR 30.0 million, **EBIT** decreased by 7.1 % from EUR 68.9 million to EUR 64.0 million in the first half of 2022. The net financial income/expense stood at EUR -1.1 million. The previous year's value of EUR +2.9 million includes a positive one-off effect from the step-by-step acquisition of the remaining shares in JONAS Farbenwerke GmbH & Co. KG (now JONAS Farben GmbH). In spite of measures being introduced to safeguard earnings, **EBT** fell by 12.4 % in the first half of 2022 to EUR 62.9 million (previous year: EUR 71.8 million) and **EAT** dropped by 12.5 % to EUR 44.0 million (previous year: EUR 50.3 million). The profit per Sto limited preference share stood at EUR 6.43 (previous year: EUR 7.81) and at EUR 6.37 per limited ordinary share (previous year: EUR 7.75).

As at 30 June 2022, the ROCE (Return on Capital Employed) figure stood at 8.7 % (previous year: 10.9 %).

Earnings trend across the segments

In the segment of **Western Europe**, EBIT decreased slightly from EUR 56.4 million in the first half of the previous year to EUR 56.2 million. In the segment of **Northern/Eastern Europe**, an increase from EUR 5.6 million to EUR 7.8 million was achieved. The segment of **America/Asia/Pacific** saw a considerable drop in EBIT from EUR 7.0 million to EUR 0.6 million.

Investments in production equipment

In the first six months of 2022, Group-wide **investments** in Property, plant and equipment, as well as Intangible assets amounted to EUR 14.4 million (previous year: EUR 17.3 million). They focused, among other things, on expanding production capacity at the Liaver GmbH & Co. KG site in Ilmenau, Thuringia/Germany, where a second rotary kiln is being installed. The measure is expected to be completed in 2023. Moreover, investments were made in ongoing, long-term measures for modernising or replacing the production equipment.

Development of liquidity

Cash flow from operating activities amounted to EUR -22.2 million in the first half of 2022 compared to EUR +23.1 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 taking tax liabilities as at 31 December 2021 into account were noticeable in addition to lower earnings.

Cash flow from investment activities amounted to EUR 49.3 million (previous year: EUR -1.9 million). In the reporting period, EUR 14.4 million were spent on investments in Property, plant, and equipment, and Intangible assets (previous year: EUR 17.3 million). In the previous year, payments of EUR 16.6 million were made for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents). Payments received from other disposal of Intangible assets and Property, plant, and equipment rose to EUR 3.7 million in the reporting period (previous year: EUR 1.0 million). The cash flow from investment activities adjusted by deposits from and disbursements for financial investments stood at EUR -10.5 million in total by the end of June 2022 (previous year: EUR -32.7 million). In a comparison of the half-year figures, disbursements for financial investments decreased from EUR 20.8 million in the previous year to EUR 9.5 million, while deposits from financial investments increased from EUR 51.5 million to EUR 69.3 million.

Cash flow from financing activities amounted to EUR -46.6 million compared to EUR -44.9 million in the first half of 2021, with EUR 31.9 million of this making up the dividend payouts just as in the previous year.

As at 30 June 2022, **financial resources** amounted to EUR 121.0 million (previous year: EUR 107.8 million). This takes into account a total amount of EUR +3.4 million (previous year: EUR +1.4 million) resulting from differences in cash and cash equivalents from changes in exchange rates as well as impairments due to expected losses on cash and cash equivalents in accordance with IFRS 9. As compared to the end of 2021, cash and cash equivalents dropped by EUR 16.1 million (previous year: EUR 22.2 million).

Sound asset situation, stronger equity

As at 30 June 2022, the **consolidated statement of financial position** of Sto SE & Co. KGaA witnessed an increase from EUR 1,084.7 million to EUR 1,150.0 million

compared to the 2021 year end (30 June 2021: EUR 1,056.2 million). The majority of the changes compared to 31 December 2021 are due to the seasonal nature of business activities.

Total **non-current assets** stood at EUR 510.1 million on the reference date (31 December 2021: EUR 518.8 million; 30 June 2021: EUR 477.1 million). Compared to 31 December 2021, fixed assets decreased slightly from EUR 436.8 million to EUR 427.7 million (30 June 2021: EUR 415.1 million), while other non-current assets increased marginally from EUR 82.0 million to EUR 82.4 million (30 June 2021: EUR 62.0 million).

Total **current assets** grew compared to 31 December 2021 from EUR 565.9 million to EUR 639.9 million (30 June 2021: EUR 579.1 million). Inventories were increased from EUR 158.6 million to EUR 194.9 million (30 June 2021: EUR 132.1 million) to safeguard Sto's ability to deliver in light of the uncertain supply situation that was ongoing by having higher stocks of raw materials, finished goods, and bought-in products. Procurement price effects also increased the value of stock. Current trade receivables increased from EUR 145.8 million to EUR 270.6 million (30 June 2021: EUR 230.0 million) which is attributable to the higher business volume as well as the larger percentage of consolidated turnover generated abroad, since longer average collection periods are usually the norm there. By contrast, current financial assets – where current financial investments are reported, in particular – decreased from EUR 94.1 million to EUR 29.5 million (30 June 2021: EUR 85.0 million), caused largely by the greater seasonal need for funding to cover current business activities, the increase in inventories, and the higher trade receivables. As compared to the 2021 year end, cash and cash equivalents decreased from EUR 137.1 million to EUR 121.0 million (30 June 2021: EUR 107.8 million).

On the **liabilities side, equity** in the Group increased from EUR 610.0 million to EUR 657.8 million (30 June 2021: EUR 560.6 million). Accordingly, the **equity ratio** improved to a sound 57.2 % at the end of June (31 December 2021: 56.2 %; 30 June 2021: 53.1 %).

Non-current provisions and liabilities stood at EUR 181.0 million at the mid-point of 2022 compared to EUR 210.9 million on 31 December 2021 (30 June 2021: EUR 197.9 million). The biggest decrease was seen in post-employment benefit provisions, which fell from EUR 122.2 million to EUR 80.7 million (30 June 2021: EUR 122.0 million). This was due to an increased discount rate, which was adjusted due to the higher interest rate. The increase in deferred tax liabilities in the first half of the year from EUR 1.0 million to EUR 17.0 million (30 June 2021: EUR 8.3 million) is mostly attributable to the reduced post-employment benefit provision.

Within the **current provisions and liabilities**, which rose from EUR 263.8 million to EUR 311.2 million in the first six months (30 June 2021: EUR 297.7 million), trade payables increased from EUR 63.3 million to EUR 115.4 million (30 June 2021: EUR 99.4 million). Other current liabilities grew from EUR 60.0 million to EUR 96.7 million (30 June 2021: EUR 89.5 million) while other current financial liabilities fell from EUR 45.1 million to EUR 20.2 million (30 June 2021: EUR 17.0 million).

On 30 June 2022, total current and non-current borrowings in the Sto Group amounted to EUR 7.5 million (31 December 2021: EUR 10.2 million; 30 June 2021: EUR 10.4 million). Taking into account cash stocks, **net financial assets** stood at EUR 113.5 million at the mid-point of 2022 (31 December 2021: EUR 127.0 million; 30 June 2021: EUR 97.4 million). The syndicated loan agreement with a volume of EUR 100.0 million, which was set to expire in summer 2022, was renewed in the second quarter for the same amount and boosts Sto's financial strength even further.

Employees

As at 30 June 2022, the Sto Group had 5,796 employees worldwide compared to 5,697 at the 2021 year end (+99 employees; +1.7 %) and 5,713 on the same day of the previous year (+83 employees; +1.5 %). In **Germany**, the workforce has increased by 15 to 3,116 employees (previous year: 3,101) since the middle of 2021, while the number of employees **outside of Germany** has risen from 2,612 to 2,680 – an increase of 68. Across the Group, there was a small number of new hires in countries with short-term and medium-term growth prospects; meanwhile, the workforce was selectively reduced in regions battling difficult economic conditions. The percentage of the Group's workforce employed outside of Germany increased from 45.7 % to 46.2 %.

At the mid-point of the year, 4,421 employees (previous year: 4,368) were working for the Sto Group in Western Europe (incl. Germany), 640 (previous year: 642) in the Northern/Eastern Europe segment, and 735 (previous year: 703) in the segment of America/Asia/Pacific.

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 and initial comments on the EU Taxonomy can be found in our current 2021 Annual Report, which can be downloaded from our website.

Risks and opportunities report

The future business development of the Sto Group faces numerous opportunities and risks, which are presented in detail in the 2021 Management Report and evaluated via a risk matrix. This report also explains the structure of the risk management and internal control system (ICS) in detail. The greatest uncertainties at the moment include further possible supply bottlenecks, procurement price increases, the unclear development of the coronavirus pandemic, and the quantitative effects of the Russia-Ukraine conflict, which cannot be reliably estimated at present, and which has significantly increased geopolitical risks as a whole. The raw materials and bought-in products that Sto purchases directly from Russia and Ukraine were or are negligible in terms of their extent. In 2021, the share of turnover generated by the Sto Group in Russia and Ukraine was less than 1 % of consolidated turnover. All deliveries to Russia have been suspended until further notice. Another grave and specific geopolitical risk to arise in the meantime is a possible escalation of the conflict between China and Taiwan.

Opportunities can be found especially in the ecological and economic advantages of good building insulation that saves a lot of CO₂ emissions, energy, and hence costs, resulting in a high potential for sales.

At present, no assessable risks are apparent that could have a permanent and significant adverse effect on the income, financial, and asset situation of the Sto Group.

Outlook report

Global economy

In its latest forecast from July, the International Monetary Fund (IMF) has lowered its expectation for global economic growth in 2022 to 3.2 % (April forecast: 3.6 %). According to this outlook, GDP will grow by 2.5 % in industrialised countries, with the USA contributing 2.3 % and the eurozone 2.6 %. The experts lowered their expectation for Germany by 0.9 percentage points to a 1.2 % rate of growth. A total plus of 3.6 % is expected for developing and emerging countries. The development in China is likely to be noticeably gloomier, with growth of 3.3 % (2021: 8.1 %).

The IMF cited numerous risks such as the ongoing disruption to supply chains, coronavirus restrictions in China, and the consequences of the Russian attack on Ukraine as reasons for this significant downwards correction. The very high inflation being experienced at the present time is a particular risk to the stability of the economy and the financial system, warned the IMF. The gas supplies needed from Russia are an enormous factor of uncertainty. Should they not be restored at all, global economic performance would increase by just 2.6 % this year.

International construction industry

For the construction industry in **Germany**, the General association for the German construction industry (HDB) and the German Construction Confederation (ZDB) forecast a nominal increase of 5.5 % in construction-related turnover in the current year. The experts predict that construction price increases will slow down, but further increases are expected for the year as a whole. Turnover growth in real terms is expected to be around 1.5 % in 2022.

For 2022, the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry) expects demand for building coating materials to remain at the previous year's level. Slight growth in the professional sector is likely to be offset by a decline in the DIY segment. Within the EWIS market, the market research institute B+L Marktdaten GmbH is anticipating a slightly decreased volume growth of 2.2 % as compared to the previous year.

According to the latest July forecast from EUROCONSTRUCT, **European construction services** will exceed pre-coronavirus levels for the first time in 2022, largely due to the pent-up demand created over the course of the pandemic. Given the huge increases in energy prices we have seen and the material bottlenecks that have flared up once more due to the Russia-Ukraine conflict, however, the growth forecast was lowered from 3.6 % in November 2021 to 2.3 %. This affects all three main segments. Residential construction, other building construction, and the civil engineering sector expanded by more than 2 % in 2022 according to EUROCONSTRUCT.

The economic outlook in **China** has become much gloomier as a result of the restrictions introduced due to the country's zero-Covid strategy. According to experts, the steep decline in industrial activity and in consumption recorded over the course of the year so far point to the 2022 downturn being more severe than expected. In spite of the poor economic data, the National Bureau of Statistics of China is predicting that the consequences of the Covid measures will be short-lived and the Chinese economy will retain its good foundations.

The construction industry in the **USA** grew in 2022 both in the area of building construction and civil engineering. According to estimates by FMI, a management consulting and investment banking firm, the construction of single-family homes is set

to grow by 6 % and multiple dwellings by 7 %. Where non-residential construction is concerned, industrial plant building will see the highest rate of growth at 12 %, according to FMI.

2022 outlook for the Sto Group

Without factoring in the quantitative influence of the Russia-Ukraine conflict, which cannot be reliably assessed at present, **consolidated turnover** for 2022 as a whole is still expected to be in the order of around EUR 1.79 billion (previous forecast: around EUR 1.74 billion; 2021: EUR 1.59 billion). The turnover and earnings forecasts are based on average weather conditions and an economic development in line with expectations in Sto's key markets. In addition, the forecast is based on the assumptions that the euro exchange rate will remain largely stable, the impact of the coronavirus pandemic will not intensify in 2022, gas supplies continue to be secured in the year under review, and interest rates remain stable at their current level. Other key requirements are Sto's ability to deliver being achievable despite the difficult situation on the procurement market, and processes proceeding as scheduled on construction sites without the impact of delays affecting individual construction stages. As a way of counteracting the significant pressure on the gross profit margin, which is being driven by increasing procurement and energy costs and has a perceptible impact on the income situation, other price increase measures have been prepared or announced in various Sto companies that will need to be implemented successfully during the second half of the year.

The earnings forecast remained unchanged: According to the forecast, the Sto Group's **EBIT** is expected to fall between EUR 114 million and EUR 134 million (2021: EUR 124.5 million), and **EBT** between EUR 112 million and EUR 132 million (2021: EUR 127.9 million). The resulting **return on sales** is hence likely to be between 6.3 % and 7.4 % (previous forecast: between 6.4 % and 7.6 %; 2021: 8.0 %). Return on capital employed (**ROCE**) is expected to reach a value of between 15.9 % and 18.7 % (2021: 18.9 %).

As a 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 2022

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 2022

	30 June 2022	30 June 2021
	EUR K	EUR K
1. Revenue	888,444	778,066
2. Changes in product inventories	8,316	4,967
3. Other internally generated assets capitalised	1	9
Total revenues	896,761	783,042
4. Other operating income	12,107	8,572
5. Cost of materials	-446,218	-364,139
6. Personnel expenditure	-210,902	-198,725
7. Other operating expenses	-153,127	-128,396
8. Impairment (net) of financial assets	-4,671	-3,314
EBITDA (earnings before interest, taxes, depreciation and amortisation)	93,950	97,040
9. Depreciation and amortisation of Intangible assets, Property, plant and equipment as well as Rights of use	-29,969	-28,143
EBIT	63,981	68,897
10. Financial income	-1,051	2,938
EBT	62,930	71,835
11. Taxes on income and earnings	-18,942	-21,538
EAT	43,988	50,297
of which:		
Share of minority interests	2,898	368
Share attributable to the shareholder Sto SE & Co. KGaA	41,090	49,929
Earnings per share basic/diluted in EUR		
Limited ordinary share	6.37	7.75
Limited preference share	6.43	7.81

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of comprehensive income
for the period from 1 January to 30 June 2022

	30 June 2022	30 June 2021
	EUR K	EUR K
EAT	43,988	50,297
Currency translation		
Currency translation differences	5,947	2,843
FVOCI valuation		
Valuation changes recognised in equity	-380	0
Deferred taxes	114	0
FVOCI valuation after taxes	-266	0
Earnings to be reclassified in the statement of profit and loss in future periods	5,681	2,843
Revaluation of post-employment benefit obligations		
Gains/losses from the revaluation of defined benefit plans	42,927	11,650
Deferred taxes	-12,921	-3,670
Earnings not to be reclassified in the statement of profit and loss in future periods	30,006	7,980
Other earnings after taxes	35,687	10,823
Total comprehensive earnings after taxes	79,675	61,120
of which:		
Share of minority interests	2,898	368
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA	76,777	60,752

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of financial position as at 30 June 2022

Assets	30 June 2022	30 Dec 2021	30 June 2021
	EUR K	EUR K	EUR K
A. Non-current assets			
I. Intangible assets	61,093	61,616	70,939
II. Property, plant and equipment	283,393	287,397	281,359
III. Rights of use	81,133	85,944	62,311
IV. Financial assets accounted for using the equity method	2,074	1,830	445
Fixed assets	427,693	436,787	415,054
V. Non-current trade receivables	1,333	1,823	1,631
VI. Non-current financial assets	49,921	48,358	26,246
VII. Other non-current assets	1,334	1,608	1,402
VIII. Deferred tax assets	29,820	30,197	32,766
Other non-current assets	82,408	81,986	62,045
Total non-current assets	510,101	518,773	477,099
B. Current assets			
I. Inventories	194,854	158,631	132,117
II. Current trade receivables	270,601	145,760	230,016
III. Current income tax receivables	3,427	3,413	2,459
IV. Current financial assets	29,484	94,088	84,958
V. Other current assets	20,526	26,906	21,784
VI. Cash and cash equivalents	121,028	137,135	107,801
Total current assets	639,920	565,933	579,135
Total assets	1,150,021	1,084,706	1,056,234

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of financial position as at 30 June 2022

Equity and liabilities	30 June 2022	30 Dec 2021	30 June 2021
	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	574,867	529,987	482,109
Share attributable to the shareholders of Sto SE & Co. KGaA	650,227	605,347	557,469
IV. Share of minority interests	7,600	4,702	3,123
Total equity	657,827	610,049	560,592
B. Non-current provisions and liabilities			
I. Provisions for post-employment benefits and similar liabilities	80,708	122,204	121,987
II. Other non-current provisions	18,308	18,347	19,189
III. Non-current borrowings	1,461	1,915	2,891
IV. Non-current lease liabilities	63,273	67,209	45,317
V. Non-current financial liabilities	214	214	225
VI. Other non-current liabilities	18	24	3
VII. Deferred tax liabilities	16,969	986	8,330
Total non-current provisions and liabilities	180,951	210,899	197,942
C. Current provisions and liabilities			
I. Other current provisions	41,344	43,488	45,770
II. Current borrowings	6,036	8,240	7,491
III. Current lease liabilities	20,130	20,406	18,502
IV. Current trade payables	115,440	63,250	99,351
V. Current income tax liabilities	11,400	23,283	20,060
VI. Current financial liabilities	20,240	45,102	16,983
VII. Other current liabilities	96,653	59,989	89,543
Total current provisions and liabilities	311,243	263,758	297,700
Total debt capital	492,194	474,657	495,642
Total equity and liabilities	1,150,021	1,084,706	1,056,234

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 30 June 2022

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	Reserve for FVOCI valuation	Treasury stock			
As at 1 January 2021	17.556	57.804	526.389	-2.604	-47.476	0	-23.055	528.614	2.755	531.369
EAT	0	0	49.929	0	0	0	0	49.929	368	50.297
Other earnings (after tax)	0	0	0	2.843	7.980	0	0	10.823	0	10.823
Total comprehensive earnings	0	0	49.929	2.843	7.980	0	0	60.752	368	61.120
Dividend payout	0	0	-31.897	0	0	0	0	-31.897	0	-31.897
As at 30 June 2021	17.556	57.804	544.421	239	-39.496	0	-23.055	557.469	3.123	560.592
As at 1 January 2022	17.556	57.804	587.663	2.681	-37.289	-13	-23.055	605.347	4.702	610.049
EAT	0	0	41.090	0	0	0	0	41.090	2.898	43.988
Other earnings (after tax)	0	0	0	5.947	30.006	-266	0	35.687	0	35.687
Total comprehensive earnings	0	0	41.090	5.947	30.006	-266	0	76.777	2.898	79.675
Dividend payout	0	0	-31.897	0	0	0	0	-31.897	0	-31.897
As at 30 June 2022	17.556	57.804	596.856	8.628	-7.283	-279	-23.055	650.227	7.600	657.827

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated cash flow statement
for the period from 1 January to 30 June 2022

	30 June 2022 EUR K	30 June 2021 EUR K
Cash flow from operating activities		
EAT	43,988	50,297
Reconciliation of EAT and cash flow from operating activities		
Taxes on income and earnings	18,942	21,538
Net financial income/expense	1,051	-2,938
EBIT	63,981	68,897
Depreciation of fixed assets	29,969	28,143
Earnings from disposal of fixed assets	-1,705	-367
Income taxes paid	-27,368	-17,474
Change in provisions	-751	-2,720
Change in net current assets	-86,374	-53,355
Cash flow from operating activities	-22,248	23,124
Cash flow from investment activities		
Investments in Property, Plant and Equipment, and Intangible assets	-14,361	-17,305
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)	0	-16,602
Payments received from the disposal of Intangible assets and Property, Plant and Equipment	3,663	976
Interest payments received	205	223
Disbursements for financial investments	-9,541	-20,767
Deposits from financial investments	69,345	51,539
Cash flow from investment activities	49,311	-1,936
Cash flow from financing activities		
Disbursements for the repayment portion of the lease liabilities	-11,177	-10,809
Payments for non-current borrowings	-473	-927
Payments received for current borrowings	0	1,166
Payments for current borrowings	-2,185	-1,834
Dividend payout	-31,897	-31,897
Payments of interest	-832	-564
Cash flow from financing activities	-46,564	-44,865
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	3,394	1,435
Cash and cash equivalents at the beginning of the period	137,135	130,043
Change in cash and cash equivalents	-16,107	-22,242
Cash and cash equivalents at the end of the period*	121,028	107,801

* 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 2022

Information on geographic segments by sales markets (in EUR K)	Western Europe	Northern / Eastern Europe	America / Asia / Pacific	Reconciliation/ consolidation booking entries	Group
External revenues	704,401	86,147	97,896	0	888,444
Inter-segment revenues	29,398	1,397	0	-30,795	0
Segment revenues	733,799	87,544	97,896	-30,795	888,444
EBITDA	78,818	11,797	3,948	-613	93,950
Depreciation / amortisation	22,607	3,989	3,373	0	29,969
EBIT	56,211	7,808	575	-613	63,981
EBT	55,041	8,154	717	-982	62,930
Investments	11,812	829	1,720	0	14,361
Employees as at the balance sheet date	4,421	640	735	0	5,796

for the period from 1 January to 30 June 2021

Information on geographic segments by sales markets (in EUR K)	Western Europe	Northern / Eastern Europe	America / Asia / Pacific	Reconciliation/ consolidation booking entries	Group
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	56,413	5,558	6,950	-24	68,897
EBT	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

Notes to the condensed consolidated interim financial statement for the period from 1 January to 30 June 2022

1. Basis of preparation

Sto SE & Co. KGaA prepared its consolidated annual financial statement of the Sto Group for the 2021 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 2022 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 2021.

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 2022.

2. Accounting and valuation policies

In order to draw up the condensed consolidated interim financial statement the accounting methods applicable as at 31 December 2021 for the consolidated financial statement were adopted unchanged. A detailed description of these accounting policies was published in the Notes to the 2021 consolidated financial statement.

IAS 19 – Employee Benefits

In the consolidated interim financial statement, a discount rate for post-employment benefit provisions of 3.3 % (31 December 2021: 1.1 %) was used for companies with the euro as their functional currency. For companies with a different functional currency, the discount rate was 2.0 % (31 December 2021: 0.3 %). The post-employment benefit provision was adjusted and calculated based on the discount rates that were valid as at the reference date.

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 – Accounting for Government Grants

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 2022, government grants amounted to EUR 222 K (30 June 2021: EUR 2,765 K). These include government subsidies granted in relation to the coronavirus pandemic. In the consolidated statement of profit and loss, government grants are reported under other operating income.

IAS 36 – Triggering Event

For the goodwill, we have continuously checked – based on a qualitative and quantitative analysis – for the presence of triggering events, which would have given rise to an impairment test in the first half of 2022.

After considering external capital market data, especially the increase in the interest parameters that are relevant to the discount, we came to the conclusion that triggering events had occurred since the annual impairment test for goodwill in 2021. The subsequent impairment test, which was performed on 30 June 2022 in accordance with the method outlined in the Notes to the consolidated annual financial statement of the Sto Group of 31 December 2021, did not identify any need for impairment. The WACC before taxes used amounted to between 10.1 % and 10.9 % (previous year: 7.4 % and 11.5 %). The five-year plan as at 31 December 2021 for the fiscal years 2022 to 2026 was essentially taken as the basis again, with more recent findings and estimates being added to it where necessary.

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.

The subsidiary StoCretec Flooring AS, Moss/Norway, merged with Sto Norge AS, Oslo/Norway, in January 2022.

In January 2022, the subsidiary Sto Gulf Building Material LLC., Dubai/UAE, was dissolved and deconsolidated. No significant deconsolidation effects arose from this move.

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 shares outstanding, diluted earnings per share also include potential shares (e.g. from options). Both at 30 June 2022 and 30 June 2021 there were no potential shares. Hence, undiluted earnings per share correspond to diluted earnings per share.

In the first half of 2022, a dividend of EUR 0.25 per limited ordinary share and EUR 0.31 per limited preference share, as well as an extra dividend of EUR 4.69 per share were distributed for the 2021 fiscal year. This corresponds to a total dividend payout of EUR 31,897 K. The dividend was paid out on 27 June 2022 in accordance with the resolution of the Annual General Meeting of 22 June 2022.

5. Intangible assets and Property, plant and equipment

In the period from 1 January to 30 June 2022, the Sto Group acquired assets at acquisition costs of EUR 14,361 K (first half of 2021: EUR 17,305 K). In the same period, assets were sold with a carrying amount of EUR 2,122 K (first half of 2021: EUR 697 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 between the measurement categories.

The following table shows carrying amounts and fair values of financial instruments as at 30 June 2022:

in EUR K	Carrying amount 30 June 2022	Fair value 30 June 2022
Financial assets		
Non-current		
Investments	4	4
Financial investments FVOCI	22,731	22,731
Financial investments FAAC	25,568	23,903
Other financial assets	1,618	1,618
Non-current financial assets in total	49,921	48,256
Current		
Financial investments FVOCI	12,207	12,207
Financial investments FAAC	13,151	13,151
Forward exchange contracts	646	646
Other financial assets	3,480	3,480
Current financial assets in total	29,484	29,484
Total financial assets	79,405	77,740
Financial liabilities		
Non-current		
Borrowings	1,461	1,461
Other financial liabilities	214	214
Non-current financial liabilities in total	1,675	1,675
Current		
Borrowings	6,036	6,036
Forward exchange contracts	1,057	1,057
Other financial liabilities	19,183	19,183
Current financial liabilities in total	26,276	26,276
Total financial liabilities	27,951	27,951

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

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

in EUR K	30 June 2022	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit and loss				
- Derivatives with no hedge relationship	646	0	646	0
- Other	4	0	0	4
Financial assets measured at fair value with no impact on profit and loss				
- Holding and trading of financial investments	34,938	34,938	0	0
Financial assets measured at fair value	35,588	34,938	646	4
Financial liabilities measured at fair value through profit and loss				
- Derivatives with no hedge relationship	1,057	0	1,057	0
Financial liabilities measured at fair value	1,057	0	1,057	0

7. Contingencies and contingent liabilities

As at 30 June 2022, liabilities for the acquisition of Property, plant, and equipment stood at EUR 6,729 K (30 June 2021: EUR 6,315 K). Other contingencies and contingent liabilities contained in the 2021 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	
		2022	2021	2022	2021	2022	2021	2022	2021
Inotec GmbH, Waldshut-Tiengen/Germany	47.5%	9	18	2,114	2,254	251	502	310	323
JONAS Farbenwerke GmbH & Co. KG, Wülfrath/Germany	49.8%*	0	124	0	0	0	0	0	0
STO Management SE, Stühlingen/Germany		253	252	2,627	2,580	0	50	3,811	3,157
Other		0	0	118	111	0	0	0	0

* until 28 February 2021

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.

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 assets, financial and income situation of the Group and that the consolidated interim management report presents a true and fair review of business development 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 2022

Sto SE & Co. KGaA
represented by STO Management SE

Executive Board



Rainer Hüttenberger
(Spokesman)



Michael Keller



Jan Nissen



Rolf Wöhrle