

## **Sto SE & Co. KGaA, Stühlingen/Germany**

### **Consolidated interim report from the Management Board within the first half of 2022**

#### **At a glance:**

- **Consolidated turnover up by 21.2 % to EUR 368.0 million in the first quarter of 2022 compared to corresponding period of the previous year**
- **As usual, negative Q1 earnings only slightly improved due to high pricing pressure in procurement**
- **Slight increase in the number of personnel worldwide by 68 to 5,773**
- **Outlook for 2022 as a whole unchanged: without factoring in the impact of the Russia-Ukraine conflict, consolidated turnover expected to be in the order of around EUR 1.74 billion, EBIT to range between EUR 114 million and EUR 134 million, and EBT to range between EUR 112 million and EUR 132 million**

#### **Sector environment**

In light of the Russia-Ukraine conflict and the resulting economic consequences, the International Monetary Fund (IMF) has revised its previous forecasts for the global economy in 2022 significantly downwards.

According to the World Economic Outlook (WEO) from April, the global gross domestic product (GDP) is set to grow by 3.6 % (2021: 6.1 %) this year. That is 0.8 percentage points less than predicted three months ago, with the IMF revising its forecasts downwards for virtually all regions of the globe.

For the industrialised nations as a whole, the gross domestic product (GDP) is expected to increase by 3.3 % in 2022 (January forecast: 3.9 %), with the European countries feeling the negative effects much more than

the USA and Canada. Germany is among the countries having to deal with major economic damage due to the Russia-Ukraine conflict. In this case, the IMF has revised its growth forecast for 2022 down to 2.1 % (January forecast: 3.8 %; 2021: 2.8 %).

In the developing and emerging countries, a GDP increase of 3.8 % is predicted – 1.0 percentage points less than in January. According to the IMF, the Russian economy is expected to shrink by 8.5 %. For China, the IMF has reduced its estimate to an increase of 4.4 % (2021: 8.1 %), primarily due to the latest wave of the coronavirus pandemic in the country.

At the start of 2022, the German construction industry benefited in particular from the mild temperatures. According to the Hauptverband der Deutschen Bauindustrie (Main Association of the German Construction Industry), in the first two months of the year a nominal increase in turnover of 23.5 % was achieved compared to the weak value from the previous year. Once adjusted for price changes, the increase amounted to 9.2 %. Incoming orders up to the end of February rose by a nominal value of 9.0 %, corresponding to a drop of 3.4 % in real terms. Over the next few months, the association expects to see construction activity slow down significantly, as the supply bottlenecks and price increases caused by the Russia-Ukraine conflict will lead to projects being delayed. The association had previously predicted an increase in turnover of 1.5 % in real terms for 2022 as a whole, but is now expecting it to stagnate instead.

### **Sto consolidated turnover in total up by 21.2 % on the previous year**

The turnover in the Sto Group rose by 21.2 % to EUR 368.0 million in the first three months of 2022 (previous year: EUR 303.7 million). The favourable weather conditions played a large role – encouraging facade business in particular – and led to increases in turnover in all segments. Business development was also supported by project backlogs from the

previous year – resulting from supply-related delays on the construction sites in relation to preceding construction stages in particular – as well as pull-forward effects, as the announcements of sales price increases led to significant increases in turnover.

Across the Group, the currency translations in the reporting period had a net positive influence on turnover in the amount of EUR 2.3 million, with the favourable development of the US dollar and Swiss franc in particular working against the depreciation of the Turkish lira. This was coupled with a first-time consolidation effect in the amount of EUR 4.8 million. When adjusted for currency and first-time consolidation effects, the first quarter of 2022 saw growth in turnover of 18.8 %.

When broken down by segment, Western Europe – including Germany – saw an increase in turnover of 21.1 %, with the companies in France and Italy in particular recording noticeable growth due to state subsidy measures for energy-efficient building refurbishments in the field of residential construction. This was also supported by the first-time consolidation effect. In Northern/Eastern Europe, the increase compared to the previous year was 29.0 %, while the America/Asia/Pacific segment recorded an increase of 16.0 %.

The Sto Group's turnover generated outside of Germany up to the end of March 2022 amounted to EUR 216.5 million (previous year: EUR 172.0 million) and hence exceeded the previous year's value by 25.9 %. In Germany, business volume rose by 15.0 % to EUR 151.5 million (previous year: EUR 131.7 million). Without taking the first-time consolidation effect into account, the increase in turnover for Germany was 11.4 %. In comparison to the same period of the previous year, the share of total turnover generated outside of Germany increased from 56.6 % to 58.8 %.

### **Earnings only slightly improved**

Due to the distinct seasonal nature of its business activities, Sto does not usually generate positive consolidated earnings in the first few months of the year. Due to the significant increase in procurement prices in particular, the usual deficit only improved slightly in the first quarter of 2022 compared to the previous year's value despite the higher business volume.

### **Investment volume less than previous year**

Group-wide investments in Property, plant and equipment, and Intangible assets amounted to EUR 5.6 million in the reporting period (previous year: EUR 11.3 million). They focused primarily on the long-term measures for modernising and replacing the production equipment.

### **Sound asset situation**

The asset situation of the Sto Group continued to prove extremely sound as at the end of March 2022. Changes in individual balance sheet items compared to the 2021 year-end fell within normal expectations and largely reflected the typical development of business in the first quarter. Stockpiling increased significantly in comparison to the previous year in order to safeguard Sto's readiness to deliver as much as possible in light of the ongoing uncertainties affecting the supply situation. The syndicated loan agreement with a volume of EUR 100.0 million, which was set to expire in summer 2022, has been renewed for the same amount with a term of 5+1+1 years.

### **Slight increase in workforce numbers**

As at 31 March 2022, the Sto Group had 5,773 employees worldwide as compared to 5,705 on the same day of the previous year (+68 employees, +1.2 %). In Germany, the workforce increased by 33 to 3,134 employees (31 March 2021: 3,101). Outside of Germany, the number of employees increased by 35 to 2,639 (31 March 2021: 2,604) with new hirings in

countries with growth prospects being contrasted with targeted adjustments in regions battling difficult economic conditions. Year-on-year, the percentage of the Group's workforce employed outside of Germany remained virtually unchanged at 45.7 % (31 March 2021: 45.6 %).

### **Outlook for the month of April**

In April 2022, turnover in the Sto Group was below the strong figure achieved in the same month the previous year and came in below expectations. At the same time, procurement costs continued to increase sharply. The consolidated earnings as at the end of April are expected to be below the previous year's value despite the significant increase in turnover compared to the previous year.

In order to counter the pressure on the gross profit margin, Sto has implemented or started to implement its own imperative sales price increases in the course of the year to date and has already announced additional price increases in various Sto companies.

### **Outlook for 2022 as a whole unchanged**

The future business development of the Sto Group faces numerous opportunities and risks, which are presented in the Risks and opportunities report in the Management report for 2021. The greatest uncertainties at the moment include further possible supply bottlenecks, material price increases, the unclear development of the coronavirus pandemic, and the consequences of the Russia-Ukraine conflict, which currently cannot be accurately estimated.

Without factoring in the impact of the Russia-Ukraine conflict, Sto's outlook for 2022 as a whole remains unchanged with a consolidated turnover in the order of EUR 1.74 billion. The forecast is 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 and that the impact of the coronavirus pandemic, which remains unpredictable, will not intensify in 2022. It also depends on Sto's ability to deliver being safeguarded despite the difficult situation on the procurement market, and on processes proceeding as scheduled on the construction sites and not being impacted by delays affecting individual construction stages. The Sto Group's earnings before interest and taxes (EBIT) are expected to fall between EUR 114 million and EUR 134 million, with earnings before taxes (EBT) of between EUR 112 million and EUR 132 million.

Stühlingen/Germany, May 2022

The Executive Board

### Key figures (in EUR million)

<b>Sto Group (IFRS)</b>	<b>Q1 2022 EUR million</b>	<b>Q1 2021 EUR million</b>	<b>Differ- ence</b>
Turnover	368.0	303.7	+21.2 %
- of which in Germany	151.5	131.7	+15.0 %
- of which outside of Germany	216.5	172.0	+25.9 %
Investments (not including financial assets)	5.6	11.3	-50.4 %
Employees as at 31 March	5,773	5,705	+1.2 %
- of which in Germany	3,134	3,101	+1.1 %
- of which outside of Germany	2,639	2,604	+1.3 %