



Building with conscience.

Sto SE & Co.KGaA, Stühlingen/Germany

Consolidated interim report

For the period from 1 January to 31 March 2024



Overview of the Group

	01 Jan 2024 - 31 Mar 2024	01 Jan 2023 - 31 Mar 2023	Change in %
Turnover	340.5	361.8	-5.9
Germany	136.3	146.6	-7.0
Outside of Germany	204.2	215.2	-5.1
Turnover by segment			
Western Europe	268.2	288.0	-6.9
Northern/Eastern Europe	27.9	31.3	-10.9
America/Asia/Pacific	44.4	42.5	+4.5
Investments (without financial assets and IFRS 16)	6.4	6.0	+6.7
Employees (at end of quarter)	5,804	5,771	+0.6
Germany	3,148	3,125	+0.7
Outside of Germany	2,656	2,646	+0.4

(Figures in EUR million unless otherwise indicated)

At a glance:

- **Consolidated turnover down by 5.9 % in the first quarter of 2024 compared to the same period of the previous year**
- **Demand in Germany and outside of Germany curbed due to weather conditions and reluctance to invest in the building industry**
- **Increase in seasonally typical Q1 deficit compared to 2023**
- **Year-on-year, slight increase in number of Sto Group employees to 5,804 worldwide**
- **Outlook for 2024 as a whole unchanged: turnover of EUR 1.79 billion and EBIT of between EUR 113 million and EUR 138 million expected in the Group**

Economic environment

For the current year of 2024, the International Monetary Fund (IMF) forecasts an unchanged increase in **global gross domestic product** (GDP) of 3.2 % compared to the previous year. In the World Economic Outlook published in mid-April, experts confirmed that the global economy is robust in view of the many challenges of recent years. However, the rate of expansion remains at a historically low level. The reasons cited for the subdued development include the effects of the Russia-Ukraine conflict, weak productivity growth, the long-term consequences of the coronavirus pandemic and increasing geo-economic fragmentation.

According to the IMF, developing and emerging countries will grow by 4.2 % in 2024 (2023: 4.3 %), among them China with 4.6 % (2023: 5.2 %). An increase in GDP of 1.7 % (2023: 1.6 %) is expected in the industrialised nations, with the USA set to achieve significantly above-average growth of 2.7 % (2023: 2.5 %). In contrast, growth of only 0.8 % is expected for the eurozone (2023: 0.4 %). Among the G7 countries, Germany is expected to have the lowest growth. In its current forecast, the IMF anticipates economic output to only increase by 0.2 % (2023: -0.3 %). In January 2024, the experts had forecast growth of 0.5 %, compared to 0.9 % in October 2023.

According to information from the Federal Statistical Office of Germany (Destatis), the amount of turnover generated in the German **construction sector** decreased by 1.3 % in the first two months of 2024 once adjusted for price changes. In nominal terms, the decline was 0.1 % compared to the same period in the previous year. In real terms and adjusted for calendar effects, incoming orders were 1.1 % above the 2023 level and rose by 4.1 % in nominal terms. There was a significant decline in residential building permits, which were down 24.9 % in the period from January to February compared to the previous year's value. According to Destatis, the construction of new single-family houses was down by 35.1 % and two-family houses by 15.4 %. In the first two months of 2024, the number of approved flats in multifamily dwellings decreased by 21.5 %.

Development of turnover

In the first three months of 2024, the Sto Group generated a **turnover** of EUR 340.5 million, 5.9 % less than in the same period of the previous year (previous year: EUR 361.8 million). In addition to unfavourable weather conditions, particularly at the beginning of the reporting period, business development was also adversely affected by the noticeable reluctance to invest in the building industry. An additional effect resulted from the lower number of working days in March 2024 compared to the same month in the previous year. Currency translations had an overall negative impact of EUR 1.8 million on the Group in the first quarter of 2024. Significant depreciations in some cases, particularly of the Turkish lira, the US dollar and the Chilean peso, were contrasted by individual positive effects, including the Swiss franc and the Polish zloty. Adjusted for all currency translation effects, consolidated turnover in national currencies decreased by 5.4 % quarter-on-quarter.

The 6.9 % decline in the **Western Europe** segment – including Germany – to EUR 268.2 million (previous year: EUR 288.0 million) was due in particular to the unfavourable weather conditions at the beginning of the year. In Italy, demand was also curbed by the reduction in state subsidy measures for energy-efficient building refurbishment. In **Northern/Eastern Europe**, too, the weather – particularly in Scandinavia – had a noticeable impact on turnover, which decreased by 10.9 % to EUR 27.9 million (previous year: EUR 31.3 million) across the segment. In addition, the negative currency translation effects were clearly noticeable here. The **America/Asia/Pacific** segment achieved growth of 4.5 % to EUR 44.4 million (previous year: EUR 42.5 million), which was mainly due to the good business

development of the American companies. Only the Chilean subsidiary, which was also impacted by negative currency effects, recorded a year-on-year decline in turnover. Business development in Asia remained difficult. The subsidiary in China in particular recorded significant declines.

In **Germany**, the Sto Group's turnover volume decreased by 7.0 % to EUR 136.3 million (previous year: EUR 146.6 million) and **outside of Germany** by 5.1 % to EUR 204.2 million (previous year: EUR 215.2 million). In comparison to the same period of the previous year, the share of total turnover generated outside of Germany increased from 59.5 % to 60.0 %.

Development of earnings

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. In the reporting period, the deficit, which is typical for the first quarter, was higher than in the previous year. This was mainly due to lower turnover and the increase in personnel expenses in the Group as a result of collective labour agreements. Procurement prices remained largely stable in the first months of 2024, both in the energy sector and for energy-intensive products as well as in many other areas, but remained at a high level overall.

Volume of investments

Group-wide investments in Property, plant and equipment, and Intangible assets increased to EUR 6.4 million in the reporting period (previous year: EUR 6.0 million). As planned, work began on the construction of production facilities at the Australian subsidiary, which had moved into a new location at the end of 2023. A new wet- and a dry-production plant will be installed here in the course of the year. Sto also invested in modernisation and renovation measures as part of the long-term 'Retrofit' programme, which has been continued consistently.

Sound assets and liabilities situation

The assets and liabilities situation of the Sto Group continued to prove sound as at the end of March 2024. Changes in individual balance sheet items compared to the 2023 year-end fell within normal expectations and largely reflected the typical business development that can be seen in the first three months of a year.

Number of employees

As at 31 March 2024, the Sto Group had 5,804 employees worldwide compared to 5,783 at the 2023 year end (+21) and 5,771 on the same day of the previous year (+33). Compared to the end of March 2023, the workforce in **Germany** increased by 23 to 3,148 employees (31 March 2023: 3,125) and **outside of Germany** by 10 to 2,656 employees (31 March 2023: 2,646). Across the Group, there were some new hires in areas with growth prospects along with adjustments at companies with difficult general economic conditions. The share of the Group's workforce employed outside of Germany remained at 45.8 %.

Development in the month of April

In April 2024, the turnover of the Sto Group was above the previous year's value but still fell short of expectations, which was primarily due to the unfavourable weather conditions in many countries where the Sto companies are active.

Outlook for 2024 as a whole

For 2024 as a whole, Sto anticipates **consolidated turnover** of EUR 1.79 billion despite major challenges, particularly for the German market. A range of EUR 113 million to EUR 138 million is forecast for both **EBIT** and earnings before taxes (**EBT**). The **return on sales** should therefore be between 6.3 % and 7.8 %. Return on capital employed (**ROCE**) is expected to reach a value of between 14.5 % and 17.8 %.

The forecast is based on average weather conditions and an economic development in line with expectations in Sto's key markets as well as a mainly stable euro exchange rate. Another key assumption is that geopolitical tensions such as the Russia-Ukraine conflict or the Middle East conflict will not cause any significant impairment of demand in the markets relevant to Sto and that there will be no restrictions in the conduct of business activities or the supply of raw materials, bought-in products and energy.

The main opportunities and risks for the Company are presented and explained in detail in the 2023 Management Report. In principle, there is great growth potential for the Sto Group, as the need for energy-efficient building refurbishment will continue to increase. The core business of facade systems in particular makes a significant contribution to energy efficiency and therefore to sustainability in the building sector, which is essential for achieving the internationally defined climate action targets. The economic benefits of good building insulation, which are becoming increasingly important as energy costs rise, also offer great potential for sales worldwide.

Stühlingen/Germany, May 2024
Sto SE & Co. KGaA
represented by STO Management SE
Executive Board