

Sto AG, Stühlingen

Consolidated interim management report for the second half of 2013 in accordance with Section 37x of the German Securities Trading Act (WpHG)

At a glance:

- Sto consolidated turnover up by 2.3 % to EUR 892.0 million in the first nine months of 2013
- Foreign growth, domestic business still sluggish
- EBIT and net income higher than in previous year
- Workforce grows from 4,744 to 4,882 employees
- Outlook for 2013: Consolidated turnover as projected with growth of approximately 2 %, EBIT forecast adjusted upwards

Market environment

The performance of the international construction industry continued to vary considerably from region to region in 2013. In the USA, the construction industry was one of the main driving forces of the economy. The Chinese construction industry also saw growth; however, said growth has slowed down considerably in recent times due to the restrictive measures that the government has placed on the real estate industry. By contrast, the situation for the European construction industry remained fraught: difficult economic and financing conditions resulted in modest sales in Southern and Eastern Europe in particular. Other European regions performed well in recent months and were able to partly compensate for the considerable shortfall resulting from unfavourable weather and market

conditions in the opening months of 2013. This also applies to Germany's main construction trades: although their total turnover was down 2.9 % compared to the same period in the previous year according to the Federal Statistical Office, this figure had stood at 5.1 % at mid-year. With an increase of 0.4 %, incoming orders in the building construction segment rose slightly between January and September.

Growth in Sto's consolidated turnover

Sto AG's business performance was also very positive in the summer months, which made it possible for the company to make up for losses resulting from unfavourable weather and market conditions in the opening months of 2013. **Consolidated turnover** for the first nine months of 2013 stood at EUR 892.0 million, which is 2.3 % higher than the prior-year figure and was thus in line with our expectations.

On balance, **foreign turnover** rose by 2.8 % to EUR 481.0 million. Business in America and in France, which is still bucking the economic trend in Europe, was particularly pleasing. As such, it was possible to more than compensate for shortfalls in regions such as Eastern Europe. The international share of consolidated business volume amounted to 53.9 % (previous year: 53.7 %).

Domestic turnover totalled EUR 411.0 million following EUR 403.9 million in the comparison period. This moderate increase stemmed from a reluctance to invest in Germany, which has been triggered by continuing uncertainty with respect to the future funding of energy-efficiency upgrade measures. Furthermore, the discussion regarding the ecological effects of facade systems and concerning architectural culture has led to increasing uncertainty among prospective building owners and Sto stakeholders.

The first-time consolidation of Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG, Eichstätt, which was acquired in early February, resulted in additional turnover of EUR 6.0 million. Exchange rate fluctuations were largely caused by the significant appreciation of the euro against other major currencies such as the US dollar, the British pound and the Swiss franc, leading to negative effects of EUR -4.2 million.

Although more restrained than expected, the overall positive business performance of the Sto Group continued in October 2013.

Earnings higher than in previous year

On the whole, costs over the course of the year were lower than forecast. This applied especially to the cost of materials, as the slowing global economy led to the lowering of prices for standard products and several speciality chemicals such as titanium dioxide. This meant that it was possible to more than offset further price increases, especially for petroleum-based products. As a result of this, **EBIT** and **net income** after three quarters were higher than comparable prior-year figures.

Cash flows remain stable

Sto AG's cash flows remained very healthy as at 30 September 2013. Changes to individual balance sheet items compared to 30 June 2013 and the end of 2012 were within normal business limits.

Investments

Investments in property, plant and equipment and intangible assets stood at a total of EUR 15.9 million in the first nine months of 2013 (previous year: EUR 18.8 million). The most important projects included the expansion of our logistics centre in Stühlingen and the construction of a new silo cleaning plant, both of which were successfully completed in the first six months of 2013. Construction of the new head office for our Belgian Sto subsidiary was completed in September 2013. In addition, the expansion of a site in Arizona is now under way with the aim of modernising and focussing our production structure in the USA. Significant funds were also invested in the modernisation and expansion of the IT infrastructure and in ground conveyor equipment.

Employees

At the end of September, there were 4,882 employees at the Sto Group compared to 4,744 on the same day of the previous year (+2.9 %). Most of this expansion took place in the domestic workforce, which rose by 118 to 2,607 employees (+4.7 %). Of these, 68 employees were attributable to the first-time consolidation of Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG. Overall personnel numbers outside Germany also

rose: the foreign workforce was made up of 2,275 employees on the reporting date compared to 2,255 one year ago (+0.9 %). Targeted new staff appointments were made in Asia and South America, while adjustments were made in regions such as Eastern Europe due to the difficult economic climate. The share of international employees in the Group workforce as at 30 September 2013 amounted to 46.6 % (previous year: 47.5 %).

Change of form from Sto AG to Sto SE & Co. KGaA

The Annual General Meeting of Sto AG held on 12 June 2013 passed a resolution to change Sto AG's legal form to that of an SE & Co. KGaA (partnership limited by shares). STO Management SE has declared its accedence to the position of general partner of this company and approved the articles of association of Sto SE & Co. KGaA.

Sto AG's intended change in legal form to become an SE & Co. KGaA had not been registered in the Commercial Register at the time this report was published. A lawsuit has been filed at Mannheim District Court against the decision of the AGM dated 12 June 2013 regarding this change of legal form; the court's ruling on the matter is still pending.

Outlook for the 2013 financial year

In terms of 2013 as a whole, we still expect a rise in turnover of approx. 2 % to around EUR 1,165 million for the Sto Group. Contrary to our previous projections, we also anticipate that consolidated EBIT for the 2013 fiscal year will be higher than the prior-year figure of EUR 95.3 million. This is partly due to the overall cost of raw materials, which was lower than expected. However, as always, it is difficult to predict the weather, which could yet impact very negatively on business performance in November and December 2013.

Based on current information and conditions, investments in intangible assets and property, plant and equipment will total approximately EUR 37.0 million (previous year: EUR 36.3 million).

Stühlingen, November 2013

The Executive Board

Key figures (in EUR million)

Sto Group (IFRS)	9M 2012	9M 2013	Difference
Turnover	871.7	892.0	2.3 %
- of which domestic	403.9	411.0	1.8 %
- of which international	467.8	481.0	2.8 %
Investments (excl. financial assets)	18.8	15.9	-15.4 %
No. of employees as at 30/09	4,744	4,882	2.9 %
- of which domestic	2,489	2,607	4.7 %
- of which international	2,255	2,275	0.9 %