

PRESS RELEASE

Sto SE & Co. KGaA, Stühlingen

- Sto's consolidated turnover up by 4% to EUR 927.9 million in the first three quarters of 2014
- Significant slowdown in performance following very strong start to the year as a result of favourable weather conditions
- Slight year-on-year fall in EBIT and net income as at end of September
- Global workforce increases by 4% to 5,075 employees
- Forecast for 2014 adjusted: consolidated turnover to increase by around 2% for year as a whole, EBIT expected to total EUR 81 to 91 million

Stühlingen, 14 November 2014 – Sto SE & Co. KGaA, a major international manufacturer of products and systems for building coatings, recorded **consolidated turnover** of EUR 927.9 million in the first nine months of 2014. This amounts to a 4.0% rise compared with the prior-year figure of EUR 892.0 million. Following a very strong start to 2014, business experienced a surprisingly significant slowdown and continued to fall short of expectations over the course of the year.

Foreign turnover rose by 4.4 % to EUR 502.1 million from January to September 2014 (previous year: EUR 481.0 million), with demand varying from segment to segment. Demand in the Western Europe segment, in particular, was appreciably down on the year in the third quarter of 2014: German-speaking regions and France were the main areas to record losses. The Northern/Eastern Europe segment continued to record slight growth in the summer months, although this became increasingly small. By contrast, the America/Asia segment benefited from a clear rise in turnover. The international share of consolidated business volume as at the end of September amounted to 54.1% (previous year: 53.9 %).

In **Germany**, consolidated turnover increased by 3.6% in the first three quarters of 2014 to EUR 425.8 million (previous year: EUR 411.0 million), which is solely attributable to sharp growth in the first three months of the year. Against the background of a perilous environment for the German EWIS industry, Germany's overall weak construction industry and unfavourable economic conditions led to a decline in demand as the year continued. The market had to absorb considerable losses in the meantime, despite the fact that the sales potential for facades with improved energy performance is as great as ever. The main reason for the drop in demand is the considerable growth in uncertainty felt by building investors and private building owners, which has been triggered first and foremost by media coverage, in some cases very provocative, surrounding the ecological impact of facade systems, fire safety issues, cost effectiveness and building culture. As well as this, the issue of financing and tax incentives for energy-efficiency upgrade measures in future has remained unresolved for some time. Due to the resulting reluctance to invest, the EWIS industry as a whole is not able to fully tap into the available market potential.

In the first nine months of 2014, consolidation and exchange rate effects had a net negative impact on Sto's consolidated turnover totalling around EUR 4 million. Business performance remained highly subdued in October 2014 despite largely favourable weather conditions.

EBIT in the first nine months of 2014 was particularly affected by high sales price and cost pressure. In addition to rising material costs, marketing costs were incurred during the reporting period for an information campaign designed to bring the discussion concerning the use of EWIS back to the facts. All in all, **EBIT** and **net income** after three quarters were slightly down on the year.

Sto increased its **investment** across the Group in property, plant and equipment and intangible assets to EUR 21.0 million as at the end of September 2014 (previous year: EUR 15.9 million). Major projects included the construction of an additional factory in France, measures to improve the efficiency of StoVerotec production lines and the construction of a new office building in Stühlingen.

The Sto Group **workforce** totalled 5,075 as at 30 September 2014 compared with 4,882 on the same day of the previous year (+4.0%). While the workforce in Germany grew only slightly by 51 people to 2,658 employees (+2.0%), staffing outside Germany rose by a total of 6.2% (142 employees): the foreign workforce comprised 2,417 employees as at the reporting date (previous year: 2,275). Targeted new appointments were made in regions with high growth potential such as the America/Asia segment. International employees made up 47.6% of the total Group workforce compared with 46.6% on the same day of the previous year.

Federal Cartel Office investigates producers of EPS insulation materials

The Federal Cartel Office is currently conducting an industry-wide investigation into anti-competitive price-fixing by producers of EPS insulation materials since 1998.

The Sto Group itself has only been a producer of EPS insulation materials since 2010, first via StoVerotec GmbH (now Verotec GmbH) in 2010 before production was transferred exclusively to Innolation GmbH from 2011. Production is for intragroup supply purposes only. As prices for EPS materials were/are set between the producing companies StoVerotec GmbH and Innolation GmbH (from 2011) and other companies in the Sto Group only, there are reasonable grounds to assume that the Federal Cartel Office's investigation will not touch upon Sto Group companies.

Adjusted forecast for 2014 as a whole

As a result of this year's performance to date, the turnover and earnings forecast has been revised downwards for 2014 as a whole. Based on current information, the Sto Group expects turnover in 2014 to increase by approximately 2% to around EUR 1,190 million (previously: approximately 5% to around EUR 1,225 million), which is mainly due to the weaker performance of the Western Europe segment. Business volume growth is now expected to be in the lower single-digit percentage range (previously: mid-level single-digit percentage range). As always, it is difficult to predict the weather, which could yet impact very negatively on business performance in the final weeks of 2014.

EBIT is expected to reach EUR 81 to 91 million (previously: EUR 90 to 100 million). In addition to the impact of high price and cost pressure, earnings will be affected by the lower rise in turnover in particular. EBT is likely to total between EUR 80 and 90 million (previously: EUR 88 to 98 million) in 2014, while the operating margin is expected to reach 6.7% to 7.6% (previously: 7.2 % to 8.0 %).

Sto SE & Co. KGaA is a major international manufacturer of products and systems for building coatings. In 2013, consolidated turnover totalled EUR 1,166.0 million. The company is a leader in the field of external wall insulation systems. Core products also include high-quality facade elements and render, plaster and paints for both exterior and interior use. Other focus areas include concrete restoration/floor coatings, acoustic systems and rainscreen cladding systems.

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The complete interim report is available for download at www.sto.de and can be found in the "Investor Relations" section under "Unternehmen" (Company).