

**Sto SE & Co. KGaA, Stühlingen**

**Half-year financial report in accordance with Section 37w of the German Securities Trading Act (WpHG)**

**For the period 1 January to 30 June 2014**

---

### **Overview of the first half-year of 2014**

- **After six months, Sto Group turnover 8.3 % above previous year's value – company development slowed down after good start to the year**
  - **Growth both in Germany and abroad as at 30 June enabled by high momentum due to the weather in the first quarter**
  - **Group EBIT at EUR 29.2 million**
  - **Further expansion of the workforce in emerging markets**
  - **Forecast for the entire year 2014 unchanged: turnover growth of approx. 5 % and EBIT of EUR 90 to 100 million expected**
-

## Sto SE & Co. KGaA, Stühlingen

### Interim Group management report for the first half-year of 2014

#### Business and circumstances

##### The company

The Sto Group is an internationally prominent manufacturer of products and systems for building coatings. Our core business essentially comprises external wall insulation systems (EWIS), for which we are leaders in the field, and also rainscreen cladding systems. Together, these come under the **facade systems** product group, which accounted for 48.5 % of the Group's business volume in the 2013 fiscal year. The exterior cleaning and coating systems for the **facade coatings** product group accounted for 24.8 % of the turnover. The range of services also includes **interior products**, such as specially designed cleaning and coating systems for the home and office, as well as decorative coatings and acoustic systems (share of turnover 13.1 %). In addition, we produce and distribute many other products including high-quality floor coatings and products for repairing concrete.

Sto's Group structure, management system and strategy have not changed in this reporting period. This also applies in light of the registration to convert Sto Aktiengesellschaft into Sto SE & Co. KGaA on 26 March 2014 in the appropriate trade register. This is because this conversion involved solely the legal form of the company and its identity was preserved. The economic and legal identity of the parent company of the Sto Group did not change during the conversion of the legal form of Sto SE & Co. KGaA. Sto's Group structure, management system and strategy are explained in detail in the 2013 annual report, which is available to download from [www.sto.de](http://www.sto.de) under the heading "Unternehmen" in the "Investor Relations" section or can be requested from Sto SE & Co. KGaA.

#### Overview of the business progress in the first half-year of 2014 and general statement from the Executive Board

After the highly dynamic start to the year due to the weather, the development of the Sto Group was clearly weaker in the second quarter of 2014. Nevertheless, an increase in turnover of 8.3 % to EUR 563.1 million was achieved in the entire first half-year. Thanks to the sharp growth in the first few months, when, as a result of the mild winter, a significant amount of business was brought forward, the

volume of business in Germany from January to June 2014 was up approx. 10.4 % compared to the previous year's value. Outside Germany, the development of the individual regions differed depending on the market conditions and the weather. In net terms, the turnover outside Germany increased by 6.6 % compared to the first half-year of 2013.

Despite rising pricing and cost pressure in this reporting period, the Group's performance still improved: earnings before interest and taxes (EBIT) increased by 55.3 % to EUR 29.2 million in a six-monthly comparison and the net gain by 57.9 % to EUR 19.9 million. The forecasts for 2014 remain unchanged, however.

### **Economic circumstances**

The development of the international construction industry varied considerably in the early part of 2014. For example, according to information from GTAI (Germany Trade & Invest), the **US construction industry** grew noticeably in the early months – despite the harsh winter – due to extensive residential construction. In the following months, however, the momentum dropped. According to GTAI, the **Chinese construction industry** had started to grow faster than the GDP in the first quarter of 2014 but could not keep up this pace of expansion.

According to experts from the Euroconstruct network, the situation in the **European construction industry** had relaxed slightly: despite the noticeable impacts of the financial and sovereign debt crisis in certain countries, the European construction industry recovered in the first part of the year. A crucial factor was the favourable weather conditions at the beginning of the year, which provided impetus in new home construction in particular.

The **German construction industry** was on a growth course in the first half-year of 2014 due to the unusually mild temperatures. Although demand dropped noticeably from April, the total turnover of the main construction trades grew by 16.7 % to EUR 22.1 billion in the first five months according to information from the German Federal Statistical Office. The intake of orders in structural engineering was also up by 5.2 % compared to the previous year's value, which was particularly low due to the weather conditions.

Despite the generally favourable development in the first half-year, the climate for the EWIS branch in Germany continued to be hostile. After a phase of extreme growth, the EWIS market has been consolidating for more than two years. This was due in part to the high level of sales that had been achieved to date in this area, as well as increasing caution among construction investors and house builders. Again, this was linked to the question that has been left unanswered for quite some time – how energy system upgrade measures should be promoted in the future from a financial or fiscal point of view. The customers' mindset – to wait at first – was strengthened further by lingering discussions in Germany on the ecological consequences of facade systems, fire safety issues and the building culture.

## **Assets, profitability and financial position of the Sto Group**

### **Group turnover above previous year**

After the excellent start to the year, the progress of Sto SE & Co. KGaA weakened significantly in the second quarter in the same way as the market development. Thanks to the high demand for facade systems and -coatings due to the good weather conditions in the early months, we were able to increase our volume of sales in the entire reporting period both in Germany and internationally. The **turnover of the Group** in the first six months of 2014 increased to EUR 563.1 million – 8.3 % above the previous year's figure of EUR 520.1 million.

We profited significantly from the unusually mild weather conditions – particularly in Germany – and, as a result, the **domestic turnover** was up by 10.4 % to EUR 253.4 million in the entire six month period. **Internationally**, the volume of transactions was EUR 309.7 million – up 6.6 % compared to the same half-year period of the previous year. The international proportion of the Group's sales did drop slightly from 55.9 % to 55.0 %. In contrast to the majority of the Western and Eastern European subsidiaries, which profited from the good weather conditions at the start of the year, the winter was incredibly harsh in parts of the USA and China. In some Southern European countries, our business development was marked by the ongoing difficult economic conditions.

In the first half-year of 2014, **consolidation and exchange rate effects** had a negative influence of nearly EUR 4 million. This was impacted greatly by the value of the Euro against the US dollar, the Chinese renminbi and Scandinavian currencies.

The business development in July 2014 was very restrained, both in Germany and abroad.

### **Development of turnover by segment**

In the **Western Europe** segment – including Germany – we achieved an increase in turnover of 8.9 % to EUR 446.2 million in the first two quarters of 2014. Here, we saw particularly strong growth in countries including the German-speaking region alongside economically-driven decline in countries such as Italy.

In the **Northern/Eastern Europe** region, the increase of 9.7 % in total was mainly due to positive development in our Eastern European markets. The turnover in this segment was EUR 54.2 million compared to EUR 49.4 million in the same period of the previous year.

The **America/Asia** segment achieved a moderate level of growth of 3.5 %, taking it to EUR 63.1 million, which was due to higher demand in America. This compensated for the harsh weather conditions at the start of the year in the USA and the negative effects on the exchange rate. By contrast, the business in Asia lost a significant amount of momentum. In China, a combination of factors had a negative impact including the weather, the restrictions implemented by the government and the unfavourable exchange rate.

### **Improved Group performance**

The profitability was affected by increasing costs in the first half-year of 2014. However, the Sto Group was able to significantly improve its performance thanks to the increased volume of sales. In total, the **Group's EBIT** increased by 55.3 % from EUR 18.8 million to EUR 29.2 million.

**Expenditure on staff** increased by 6.0 % to EUR 153.6 million due to wage increases and targeted employment of staff in regions with potential for growth. These costs excluded a reclassification of the earnings of the Executive Board. This resulted from the conversion of Sto AG to Sto SE & Co. KGaA, which was finally executed in the first quarter of 2014. As a result, since April 2014, the earnings of the Executive Board have counted as another operational expense rather than personnel costs. This

position increased from EUR 110.7 million to EUR 116.2 million. The balance between **other operational revenues** and **other operational costs** was EUR -109.4 million compared to EUR -105.4 million in the first half-year of 2013. The increase in **material expenditure** of 8.4 % to EUR 261.7 million remained below our expectations overall for this reporting period as we were able to achieve favourable conditions to some extent in purchasing. Nevertheless, we still felt the effects of increasing pricing pressure – particularly for certain special chemicals – and we expect that this will become even more noticeable in the following months. The **amortisation** of intangible assets and property, plant and equipment increased compared to the same period of the previous year by 3.8 % to EUR 13.8 million.

After deducting the **financial income**, which remained very close to the previous year at EUR -0.3 million compared to EUR -0.4 million, we achieved **earnings before tax (EBT)** of EUR 28.9 million as at the end of June 2014. This corresponds to an increase of 57.9 % compared to the previous year's value for 2013 of EUR 18.3 million. The tax quota remains unchanged at 31.1 % so the net earnings increased by 57.9 % to EUR 19.9 million. The dividend for each limited preference share increased from EUR 1.99 to EUR 3.17 and for each limited ordinary share to EUR 3.11 (previous year: EUR 1.93).

### Development of earnings in the segments

The revenue in the three segments was significantly marked by different sales trends in the individual regions. As a result, the EBIT in Western Europe increased from EUR 16.5 million to EUR 28.5 million in the six month comparison. The operational performance in Northern/Eastern Europe improved slightly. However, as at 30 June 2014, an operational deficit of EUR 1.8 million was reported here. In the America/Asia segment, the EBIT fell from EUR 3.4 million to EUR 2.5 million.

### Liquidity development

The **cash flow from operating activities**, which is usually negative in the first half of the year due to the seasonal nature of the industry in which the Sto Group operates, amounted to EUR -26.2 million in this reporting period compared to EUR -41.7 million in the previous year. The main reason for this improvement was the higher earnings before income tax of EUR 28.9 million (previous year: EUR 18.3 million), which played a significant role in offsetting EUR 52.7 million from the setup of the net working capital and income tax payments amounting to EUR 15.6 million.

Taking into account the currency conversion differences, we spent approx. EUR 11.1 million (previous year: EUR 8.0 million) on investments in property, plant and equipment, and intangible assets in the first half-year of 2014. Resources amounting to EUR 1.1 million resulted from interest received and the sale of assets. The **cash flow from investment activities** adjusted for deposits and disbursements for financial investments amounted to EUR -14.4 million (previous year: EUR -9.2 million). In this reporting period, we accrued EUR 102.2 million (previous year: EUR 98.2 million) from redundant financial investments. Of that, we have reinvested EUR 87.3 million (previous year: EUR 57.9 million). The remaining EUR 14.9 million (previous year: EUR 40.3 million) was used for financing the operational business activities. As a result, the **cash flow from investment activities** amounts to EUR 0.5 million compared to EUR 31.1 million in the same period of the previous year.

The receipts from **financial activities** amounted to EUR 31.9 million (previous year: EUR 38.3 million), of which EUR 31.1 million – i.e. the majority – was allotted to dividend payment. In the first half-year of 2014, approx. EUR 2.0 million was used to repay long-term borrowings.

Taking into account changes amounting to EUR 0.05 million (previous year: EUR -0.9 million) due to the exchange rate, **cash and cash equivalents** amounted to EUR 46.4 million on 30 June 2014 compared to EUR 44.9 million on the same day in the previous year. Compared to the year end of 2013, the cash holdings dropped by EUR 57.5 million (previous year: EUR 49.9 million).

### Investments up slightly on previous year

From January to June 2014, Sto invested EUR 10.7 million across the Group exclusively in property, plant and equipment, and intangible assets (previous year: EUR 9.1 million). The focal areas were the construction of an additional factory in France and measures to increase efficiency in the Verotec product lines. We also invested in the construction of a new office building in Stühlingen.

### Assets position remains solid

Since the year end of 2013, the **consolidated balance sheet** for Sto SE & Co. KGaA has been extended by 3.6 % to EUR 727.5 million. On the **assets side**, the **long-term assets** remain largely unchanged. Overall, they increased slightly from EUR 275.3 million to EUR 277.7 million.

The **short-term assets** have shown a more significant increase – from EUR 427.2 million to EUR 449.8 million – which can be attributed to the considerably higher level of operational activities in the summer months. As a result, the inventory has increased by approx. EUR 17.6 million compared to 31 December 2013 to EUR 83.1 million and short-term trade receivables have risen by EUR 76.1 million to EUR 192.1 million. The short-term financial assets dropped by approx. EUR 19.0 million to EUR 110.0 million. Financial investments with a duration of between three months and one year are entered in this position. The cash holdings fell from EUR 103.9 million to approx. EUR 46.4 million in the first six months as a result of the financing of the ongoing operations.

On the **liabilities side**, the greatest changes also resulted seasonally from the **short-term provisions and liabilities**, which rose by a total of 22.7 % compared to 31 December 2013 to EUR 185.6 million. The trade liabilities increased by EUR 22.0 million to EUR 64.1 million. The other short-term liabilities grew thanks to the seasonal increase in sales taxes and other taxes, which are yet to be distributed, of EUR 24.1 million to EUR 70.2 million. In contrast, the short-term financial liabilities were cut back by EUR 9.9 million to approx. EUR 9.0 million. The **long-term provisions and liabilities** have only grown by 2.7 % since the year end 2013, putting them at EUR 67.8 million.

Borrowings amounted to a total of EUR 8.6 million at the middle of 2014. Taking into account the level of cash and cash equivalents, the **net financial assets** were EUR 37.8 million (31 December 2013: EUR 94.8 million; 30 June 2013: EUR 31.9 million).

The **equity** of the Group totaled EUR 474.1 million on 30 June 2014, EUR 11.1 million below the year end value for 2013. The main reason for this was the dividend payout, which amounted to EUR 31.1 million. The **equity ratio** amounted to a very stable 65.2 % on the reference date – it was 69.1 % on 31 December 2013 and 61.6 % on 30 June 2013.

## Employees

### Workforce in emerging markets expanded

As at 30 June 2014, the Sto Group employed a total of 5001 employees compared to 4844 on the reference day of the previous year. The domestic workforce only increased by 21 people to 2583 while, outside Germany, targeted employment was carried out in regions with potential for growth. The net amount of employees abroad increased by 136 to 2418. The proportion of international employees of the Group rose from 47.1 % to 48.4 %.

Careful consideration of each segment provides the following picture for the middle of the year: in Western Europe (incl. Germany) we increased our workforce as at 30 June 2014 by 43 people compared to 30 June 2013, bringing it to 3747; the Northern/Eastern Europe segment grew by 9 people to 651, and the America/Asia region by 105 to 603 people.

### Changes to the Executive Board

In its meeting on 23 July 2014, the Supervisory Board of STO Management SE – as the personally liable partner – decided on a new Executive Board structure which would come into force in mid 2015. The Supervisory Board decided that Mr Michael Keller will become a new member of the STO Management SE Executive Board with effect from 1 July 2015. He will be responsible for Sto brand sales in Germany, alternative distribution channels and central services. Mr Michael Keller is currently the head of the German region for Sto SE & Co. KGaA. His successor from 1 July 2015 will be Mr Heiner Röhr, who is currently responsible for managing the northern sales region in Germany.

In addition, the Supervisory Board decided to name Mr Rainer Hüttenberger, who is currently responsible for marketing and sales for Sto International on the Executive Board, as spokesman for the Executive Board of STO Management SE with effect from 1 July 2015.

The current chairman of STO Management SE and the longstanding CEO of Sto AG, Mr Jochen Stotmeister will resign from the Executive Board in June 2015, as has already been announced. He is intended to make the transition to the Supervisory Board of STO Management SE, where he will take on the role of chairman. In addition, the Supervisory Board supports the aim that Jochen Stotmeister will also join the Supervisory Board of Sto SE & Co. KGaA after the general meeting in 2015.

On 8 August 2014, the Supervisory Board of STO Management SE extended the contract of Mr Rolf Wöhrle, who is currently responsible for finance on the Executive Board of STO Management SE, until 31 August 2018.

### **Events after the reporting period**

From the end of this reporting period to the moment the report was signed, there were no matters of particular importance that had a significant effect on the assets, profitability or financial position of the Sto Group.

### **Risk report**

The risk management and internal control systems – as well as the risks that the Sto Group is exposed to, which remain unchanged – are explained in detail in the 2013 Annual Report. From the current perspective, we cannot identify any assessable risks that could lead to permanent and significant damage to the assets, profitability and financial position of the Sto Group.

## Forecast report

### International construction industry

According to figures from the GTAI, the number of construction projects started in the **US construction industry** grew by an estimated 9 % in 2014. Growth in residential construction is expected to be particularly high at around 23 %. This has been driven by low interest rates and increasing house prices, which have, however, lost some momentum. We are placing high hopes on non-residential construction, which could profit from the expected economic recovery. In addition, public sector spending on infrastructure projects should also increase.

In **China**, the GTAI anticipates continuous expansion in the construction industry. From the current perspective, however, the growth rates in 2014 will continue to decrease. The restrictive measures implemented by the government are a determining factor in this regard and are having an increasing impact. The topics of sustainability and building modernisation could become more important. Plans from the Chinese State Council allow for corresponding measures until the end of the current five-year programme in 2015.

The Euroconstruct network slightly raised its forecast for **Europe**, in which low average growth rates of just 1.8 % per year have been predicted for 2014 to 2016. In this respect, new residential construction should provide a boost. Experts anticipate growth rates of 3.2 % in this sector, 1.2 % in renovation and 1.5 % in non-residential construction. There will be great differences between the individual European countries once again: for example, high growth rates are expected in Ireland and Poland in the next few years. Great Britain, Denmark and Hungary anticipate increasing construction work, whereas countries such as the Czech Republic and Spain will probably not reach beyond the level set in 2013.

The association of the **German construction industry** expects turnover in this sector to grow by 4.5 % for the whole of 2014. The association believes that its positive estimation is justified due to the continuation of the good order situation and the dynamic economic conditions in all sectors of the construction industry. As at the end of June, the backlog of orders in the main construction trades was 3 months.

### **Sto's forecast for the entire year 2014 unchanged**

Our expectation of an increase in turnover for the entire year 2014 for the Sto Group remains unchanged, although the economic conditions in certain countries are worse than anticipated. Business development is likely to be weak in the America/Asia segment but this should be balanced by our plans based on growth rates in Northern/Eastern Europe. This means that we anticipate that the turnover of the Group will remain unchanged with an increase of approx. 5 % to EUR 1,225 million. The growth rates achieved in the early part of the year due to the favourable weather conditions are not representative of the entire year since the level from the same period in 2013 was very low due to the poor weather conditions. We expect that this will level out in the next part of the year, as announced.

The operational EBIT, which is normally significantly higher in the second half of the year due to the season, will amount to between EUR 90 million and EUR 100 million from the current perspective because of the high pricing and cost pressure. Therefore, the profitability of the company is under pressure, probably due to factors including significantly increasing staff costs and rising material expenditure, particularly on special chemicals.

As always, the weather conditions are very difficult to assess and could still interfere appreciably with business progress in the next part of 2014.

We have allocated a budget of EUR 45 million for investments in property, plant and equipment, and intangible assets in 2014. Alongside the usual reinvestment, key projects that were started in the first half of the year are being continued.

Stühlingen, August 2014

Sto SE & Co. KGaA

represented by STO Management SE

The Executive Board

**Sto SE & Co. KGaA, Stühlingen**  
**Condensed consolidated income statement**  
**For the period from 1 January to 30 June 2014**

	<b>2014-06-30</b>	<b>2013-06-30</b>
	<b>EUR</b>	<b>EUR K</b>
1. Revenues	563,073,233.99	520,128
2. Changes in product inventories	4,753,851.61	3,614
3. Other internally generated assets capitalised	3,219.46	0
<b>Total revenues</b>	<b>567,830,305.06</b>	<b>523,742</b>
4. Other operating income	6,754,740.14	5,260
5. Cost of materials	-261,696,503.11	-241,404
6. Personnel expenditure	-153,648,978.09	-144,876
7. Other operating expenses	-116,215,759.49	-110,703
<b>EBITDA</b>	<b>43,023,804.51</b>	<b>32,019</b>
8. Depreciation and amortisation of intangible assets as well as property, plant and equipment	-13,818,755.48	-13,250
<b>EBIT (Earnings before interest and taxes)</b>	<b>29,205,049.03</b>	<b>18,769</b>
9. Financial income	-295,942.09	-439
<b>EBT (Earnings before taxes)</b>	<b>28,909,106.94</b>	<b>18,330</b>
10. Taxes on income earnings	-8,979,168.81	-5,694
<b>EAT (earnings after taxes)</b>	<b>19,929,938.13</b>	<b>12,636</b>
<b>of which:</b>		
<i>share of minority interests</i>	-227,873.89	87
<i>share attributable to the shareholders of Sto SE &amp; Co.KGaA</i>	20,157,812.02	12,549
<i>Earnings per share basic/diluted in EUR</i>		
<i>Ordinary share</i>	3.11	1.93
<i>Preference share</i>	3.17	1.99

**Sto SE & Co. KGaA, Stühlingen**  
**Consolidated statement of recognised income and expenses**  
**For the period from 1 January to 30 June 2014**

	2014-06-30	2013-06-30
	EUR	EUR K
<b>EAT (earnings after taxes)</b>	<b>19,929,938.13</b>	<b>12,636</b>
<b>Cash flow hedges after taxes</b>	<b>0.00</b>	<b>0</b>
Currency translation:		
<i>Currency translation differences</i>	-138,944.56	-1,292
<i>Deferred taxes</i>	0.00	0
<b>Currency translation differences after taxes</b>	<b>-138,944.56</b>	<b>-1,292</b>
<b>Earnings to be reclassified in the income statement in future periods</b>	<b>-138,944.56</b>	<b>-1,292</b>
<b>Earnings not to be reclassified in the income statement in future periods</b>	<b>0.00</b>	<b>0</b>
<b>Other earnings after taxes</b>	<b>-138,944.56</b>	<b>-1,292</b>
<b>Overall earnings after taxes</b>	<b>19,790,993.57</b>	<b>11,344</b>
<b><i>of which:</i></b>		
share of minority interests	-227,873.89	72
share attributable to the shareholders of Sto SE & Co. KGaA	20,018,867.46	11,272

Sto SE & Co. KGaA, Stühlingen  
Consolidated balance sheet as at 30 June 2014 and 31 December 2013

ASSETS	30 June 2014	31 December 2013	LIABILITIES	30 June 2014	31 December 2013
	EUR	EUR K		EUR	EUR K
<b>A. NON-CURRENT ASSETS</b>			<b>A. EQUITY CAPITAL</b>		
I. Intangible assets	43,909,480.07	41,875	I. Subscribed capital	17,556,480.00	17,556
II. Property, plant and equipment	219,759,334.77	218,663	II. Capital reserves	57,803,590.41	57,649
III. Financial assets accounted for using the equity method	74,160.96	76	III. Revenue reserves and other reserves	397,491,951.12	408,535
Fixed assets	263,742,975.80	260,614	Share attributable to the shareholders of Sto SE & Co. KGaA	472,852,021.53	483,740
IV. Non-current trade receivables	862,408.88	925	IV. Share of minority interests	1,202,164.02	1,430
V. Non-current income tax receivables	2,136,346.14	2,115	<b>TOTAL EQUITY CAPITAL</b>	<b>474,054,185.55</b>	<b>485,170</b>
VI. Non-current financial assets	724,670.72	1,702			
VII. Other non-current assets	457,163.59	765	<b>B. NON-CURRENT PROVISIONS AND LIABILITIES</b>		
VIII. Deferred tax assets	9,751,667.55	9,179	I. Provisions for post-employment benefits and similar liabilities	56,142,308.31	54,681
Other non-current assets	13,932,256.88	14,686	II. Deferred tax liabilities	1,502,013.81	1,501
<b>TOTAL NON-CURRENT ASSETS</b>	<b>277,675,232.68</b>	<b>275,300</b>	III. Other non-current provisions	5,859,123.66	7,271
			IV. Non-current borrowings	1,891,545.15	2,393
<b>B. CURRENT ASSETS</b>			V. Non-current financial liabilities	2,377,821.24	134
I. Inventories	83,108,215.86	65,458	VI. Other non-current liabilities	21,730.70	2
II. Current trade receivables	192,080,549.35	115,953	<b>TOTAL NON-CURRENT PROVISIONS AND LIABILITIES</b>	<b>67,794,542.87</b>	<b>65,982</b>
III. Current income tax receivables	6,949,726.29	2,521			
IV. Current financial assets	110,007,870.47	129,043	<b>C. CURRENT PROVISIONS UND LIABILITIES</b>		
V. Other current assets	9,112,554.07	8,136	I. Other current provisions	30,820,008.82	31,673
VI. Cash and cash equivalents	46,448,094.70	103,944	II. Current borrowings	6,667,340.05	6,737
	447,707,010.74	425,055	III. Trade payables	64,092,256.13	42,081
VII. Available-for-sale assets	2,113,695.60	2,114	IV. Current income tax liabilities	4,891,478.46	5,804
<b>TOTAL CURRENT ASSETS</b>	<b>449,820,706.34</b>	<b>427,169</b>	V. Current financial liabilities	8,951,754.00	18,928
			VI. Other current liabilities	70,224,373.14	46,094
			<b>TOTAL CURRENT PROVISIONS AND LIABILITIES</b>	<b>185,647,210.60</b>	<b>151,317</b>
			<b>TOTAL DEBT CAPITAL</b>	<b>253,441,753.47</b>	<b>217,299</b>
<b>Total assets</b>	<b>727,495,939.02</b>	<b>702,469</b>	<b>Total equity and liabilities</b>	<b>727,495,939.02</b>	<b>702,469</b>

**Sto SE & Co. KGaA, Stühlingen**  
**Changes in equity capital as at 30 June 2014**

in EUR K	Equity attributable to the shares of the parent company							Total	Share of minority interests	Total equity
	Subscribed capital	Capital reserve	Revenue reserves	Currency translation reserve	Reserve for pensions	Reserve for cash flow hedges	Treasury stock			
Status as at 1 January 2013	17,556	57,649	399,914	6,678	-12,717	0	-23,055	446,025	2,769	448,794
EAT (Earnings after taxes)	0	0	12,549	0	0	0	0	12,549	87	12,636
Other earnings (after taxes)	0	0	0	-1,277	0	0	0	-1,277	-15	-1,292
Income and expenses recognised	0	0	12,549	-1,277	0	0	0	11,272	72	11,344
Dividend payout	0	0	-31,061	0	0	0	0	-31,061	0	-31,061
<b>Status as at 30 June 2013</b>	<b>17,556</b>	<b>57,649</b>	<b>381,402</b>	<b>5,401</b>	<b>-12,717</b>	<b>0</b>	<b>-23,055</b>	<b>426,236</b>	<b>2,841</b>	<b>429,077</b>
Status as at 01 January 2014	17,556	57,649	437,516	3,275	-9,201	0	-23,055	483,740	1,430	485,170
EAT (earnings after taxes)	0	0	20,158	0	0	0	0	20,158	-228	19,930
Other earnings (after taxes)	0	0	0	-139	0	0	0	-139	0	-139
Income and expenses recognised	0	0	20,158	-139	0	0	0	20,019	-228	19,791
Dividend payout	0	0	-31,061	0	0	0	0	-31,061	0	-31,061
Deposit by associates	0	154	0	0	0	0	0	154	0	154
<b>Status as at 30 June 2014</b>	<b>17,556</b>	<b>57,803</b>	<b>426,613</b>	<b>3,136</b>	<b>-9,201</b>	<b>0</b>	<b>-23,055</b>	<b>472,852</b>	<b>1,202</b>	<b>474,054</b>

**Sto SE & Co. KGaA, Stühlingen**  
**Consolidated cash flow statement**  
**For the period from 1 January to 30 June 2014**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>EUR K</b>	<b>EUR K</b>
<b>1. Cash flow from operating activities</b>		
Accounting profit	28,909	18,330
Depreciation of non-current assets	13,819	13,250
Net profit/ loss from disposal of non-current assets	-75	-74
Net profit/ loss from the fair-value measurement of investments in associates	2	0
Net interest income/ expense and other net finance income/ expense	294	449
Income taxes paid	-15,609	-12,829
Change in provisions	-804	1,990
Change in net current assets	-52,695	-62,815
<b>Cash flow from operating activities</b>	<b>-26,159</b>	<b>-41,699</b>
<b>2. Cash flow from investment activities</b>		
Investment in property, plant and equipment and intangible assets	-11,081	-8,043
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)	-4,470	-2,444
Payments received from the disposal of intangible assets and property, plant and equipment	231	240
Interest payment received	878	1,049
Disbursements for financial investments	-87,257	-57,931
Deposits from financial investments	102,164	98,203
<b>Cash flow from investment activities</b>	<b>465</b>	<b>31,074</b>
<b>3. Cash flow from financing activities</b>		
Deposits by associates	155	0
Payments for non-current borrowings	-1,998	-7,896
Payments received for current borrowings	1,423	1,112
Dividend distribution	-31,061	-31,061
Interest payments	-369	-497
<b>Cash flow from financing activities</b>	<b>-31,850</b>	<b>-38,342</b>
Change in cash and cash equivalents from changes in exchange rates	48	-907
<b>Cash and cash equivalents at beginning of period</b>	<b>103,944</b>	<b>94,777</b>
<b>Change in cash and cash equivalents</b>	<b>-57,496</b>	<b>-49,874</b>
<b>Cash and cash equivalents at the end of period *</b>	<b>46,448</b>	<b>44,903</b>

\*Cash and cash equivalents at the end of period equal the item shown in the balance sheet.

**Sto SE & Co. KGaA, Stühlingen**  
**Consolidated segment reporting**  
**For the period from 1 January to 30 June 2014**

**Information on geographic segments by sales markets (K EUR)**

	Western Europe	Other Northern/ Eastern Europe	America/ Asia	Reconciliation/ consolidation entries	Group
<b>For the period from 1 January to 30 June 2014</b>					
External revenues	446,209	54,151	63,074	-361	563,073
Inter-segment revenues	16,261	37	223	-16,521	0
<b>Segment revenues</b>	<b>462,470</b>	<b>54,188</b>	<b>63,297</b>	<b>-16,882</b>	<b>563,073</b>
EBITDA	40,297	-555	3,681	-399	43,024
Depreciation/amortisation	11,838	1,217	1,138	-374	13,819
<b>EBIT (Earnings before interest and taxes)</b>	<b>28,459</b>	<b>-1,772</b>	<b>2,543</b>	<b>-25</b>	<b>29,205</b>
<b>EBT (Earnings before taxes)</b>	<b>27,882</b>	<b>-1,795</b>	<b>2,910</b>	<b>-88</b>	<b>28,909</b>
<b>Investments</b>	<b>9,749</b>	<b>395</b>	<b>583</b>	<b>0</b>	<b>10,727</b>
<b>Staff on balance sheet date</b>	<b>3,747</b>	<b>651</b>	<b>603</b>	<b>0</b>	<b>5,001</b>

	Western Europe	Other Northern/ Eastern Europe	America/ Asia	Reconciliation/ consolidation entries	Group
<b>For the period from 1 January to 30 June 2013</b>					
External revenues	409,875	49,368	61,007	-122	520,128
Inter-segment revenues	14,703	39	96	-14,838	0
<b>Segment revenues</b>	<b>424,578</b>	<b>49,407</b>	<b>61,103</b>	<b>-14,960</b>	<b>520,128</b>
EBITDA	28,206	-462	4,463	-188	32,019
Depreciation/amortisation	11,713	1,384	1,039	-886	13,250
<b>EBIT (Earnings before interest and taxes)</b>	<b>16,493</b>	<b>-1,846</b>	<b>3,424</b>	<b>698</b>	<b>18,769</b>
<b>EBT (Earnings before taxes)</b>	<b>15,885</b>	<b>-1,879</b>	<b>3,567</b>	<b>757</b>	<b>18,330</b>
<b>Investments</b>	<b>7,271</b>	<b>739</b>	<b>1,088</b>	<b>0</b>	<b>9,098</b>
<b>Staff on balance sheet date</b>	<b>3,704</b>	<b>642</b>	<b>498</b>	<b>0</b>	<b>4,844</b>

## **Sto SE & Co. KGaA, Stühlingen**

### **Appendix to the abridged consolidated financial statement for the period from 1 January to 30 June 2014**

#### **1. Consolidated financial statement principles**

Sto SE & Co. KGaA prepared its consolidated financial statement for the 2013 fiscal year in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Consequently, this interim report up to 30 June 2014 was also prepared as an abridged interim financial report in accordance with International Accounting Standard 34 "Interim financial reporting".

On 26 March 2014, the conversion of Sto Aktiengesellschaft to Sto SE & Co. KGaA was completed by virtue of entry in the appropriate trade register.

The abridged consolidated interim financial report does not contain all information and details required for a consolidated financial report and is therefore to be read in conjunction with the annual report from 31 December 2013.

This interim consolidated financial statement has not been reviewed.

The abridged interim consolidated financial statement for the first half-year of 2014 was released for publication on 25 August 2014 by the personally liable partner, STO Management SE.

#### **2. Accounting and valuation principles**

When this abridged interim consolidated financial report was compiled, the obligatory standards and interpretations as of 1 January 2014 for creating the consolidated financial statement of 31 December 2013 were observed as before. A detailed description of these methods has been published in the appendix of the 2013 consolidated financial statement.

The accounting regulations to be applied as of 1 January 2014 include primarily IFRS 10, IFRS 11 and IFRS 12.

**IFRS 10** "Consolidated Financial Statements" replaces the regulations of the previous IAS 27 "Consolidated and Separate Financial Statements" for consolidated accounting and Interpretation SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a standard control principle which is applied to all companies including special purpose entities. In addition, the revised transitional measures for IFRS 10–12 were published in June 2012 in order to ease the initial application of the new standards. Compared to the previous legal status, the changes established by IFRS 10 require a considerable degree of management discretion when evaluating the question of which company exercises control in the Group and whether this must therefore be included in the consolidated financial statement by way of full consolidation. The new standard has no impact on the current basis of consolidation.

**IFRS 11** "Joint Arrangements" states that joint ventures can be recognised according to the equity method without a vote. In the Sto Group, no joint ventures are included in the pro rata consolidation. In addition, the equity method is already used for the existing votes so the changes resulting from this standard have no impact on the consolidated interim financial report.

**IFRS 12** "Disclosure of Interests in Other Entities" governs the disclosures for consolidated accounting and consolidates the disclosures for subsidiaries that were governed by IAS 27 up until now, for joint

ventures and associates that were previously covered by IAS 28 and IAS 31, and also for structured entities. As IFRS 12 formulates new disclosure requirements alongside the existing explanation obligations, the consolidated disclosures for this group of companies are henceforth more comprehensive.

The amendment of IAS 36, which requires disclosures for the recoverable amount for assets or cash-generating units for which an adjustment was recorded or withdrawn in the reporting period, was already applied prematurely in the annual report for the year 2013.

The remaining accounting regulations first applied in the 2014 fiscal year do not have a noteworthy impact on the representation of the financial standing and the profitability in the interim consolidated financial statement.

For the current interim consolidated financial statement, discount rates of between 3.3 % and 3.55 % (31 December 2013: 3.3 % – 3.55 %) were applied for pension provisions.

The income tax expenditure was calculated based on the expected effective tax rate for the entire fiscal year in accordance with IAS 34 "Interim Financial Reporting".

### **3. Basis of consolidation**

The consolidated financial statement includes both Sto SE & Co. KGaA and the domestic and foreign companies over which Sto SE & Co. KGaA is able to exercise control (in a control relationship) as defined by IFRS 10. If power of control and the possibility of determining the financial and corporate policies of a company exist, control in terms of IFRS 10 is given in order to derive benefits from its activities. Consolidated accounting is carried out when the control relationship is available – generally this is when a participation of more than 50 % of cases is reached.

In January 2014, 100 % of the equity and voting rights of Argamont Revestimentos e Argamassas Ltda., Itaquaquecetuba/Sao Paulo, Brazil (Argamont Ltda.) were acquired.

The acquired company is a manufacturer and distributor of cleaning systems. The registered office of the company, which was a family business before the acquisition, is located in the metropolitan area of Sao Paulo – the largest city in Brazil and the seventh most densely populated area on the planet. At the time of acquisition, Argamont Ltda. employed 58 people. The turnover in the first half-year of 2014 was EUR 2.1 million with an annual deficit of approx. EUR 0.3 million. With the acquisition of this company, the Sto Group entered the world's sixth largest economy.

The fair values of the identifiable assets and liabilities of the company at the time of acquisition are as follows:

Fair value at time of acquisition	EUR K
Intangible assets and property, plant and equipment	3,056
Inventories	286
Trade receivables	352
Other receivables and financial assets	47
Cash and cash equivalents	367
<b>Total assets</b>	<b>4,108</b>
Provisions	93
Taxation liabilities	27
Trade payables	130
Borrowings	6
Other liabilities	35
<b>Total liabilities</b>	<b>291</b>
<b>Total identifiable net assets at fair value</b>	<b>3,817</b>
Goodwill from corporate acquisition/ assets to be identified	2,986
<b>Total consideration</b>	<b>6,803</b>

The allocation of the purchase price is still yet to be completed which is why the disclosures on the acquisition can not yet be provided in full. The purchase price amounted to EUR 6.8 million. Payments amounting to EUR 4.8 million have already been made on the basis of contractual clauses. A further EUR 1.4 million has been designated as a financial obligation and is to be paid in half-yearly instalments plus interest until 31 December 2018. Provided that warranty claims accrue in the next few years, these will reduce the purchase price by up to EUR 0.6 million. The Group acts on the assumption that there will be no incidental warranty claims.

The date of initial consolidation is the date of the acquisition of control in January 2014.

Transaction-related costs amounting to EUR 0.2 million were recorded directly in the other operating expenses in the previous year.

The net value of the receivables corresponds to the fair value of the receivables. Adjustments of EUR 62 K were taken into account.

Cash outflow due to corporate acquisition is as follows:

<b>Cash outflow due to corporate acquisition</b>	<b>EUR K</b>
Transaction costs of corporate acquisition (included in the cash flows from operating activity in previous year)	-197
Cash acquired with the subsidiary (included in the cash flows from investment activity)	367
Cash outflow	-4,837
<b>Actual cash outflow due to corporate acquisition</b>	<b>-4,667</b>

In conjunction with the acquisition of Argamont Ltda., Sto Brasil Revestimentos Participacoes Ltda, Itaquaquetuba/Brazil was founded in January 2014 to act as a holding company for Argamont.

#### **4. Seasonal influences on business activity**

Due to the seasonality of the construction industry, we generally expect higher revenues and a higher operating income in the second half-year than in the first. The weather is generally the main reason for the higher sales figures from May to October.

#### **5. Earnings per share/dividends paid**

The basic earnings per limited ordinary share or limited preference share is calculated by dividing the corresponding share in profits of the limited ordinary shareholders or the limited preference shareholders of Sto SE & Co. KGaA by the weighted average quantity of the limited ordinary shares or limited preference shares in circulation during the fiscal year.

On both 30 June 2014 and 30 June 2013 for the former Sto AG, there were no potential shares (from options, for example). Consequently, the diluted earnings for each limited ordinary share or limited preference share correspond to the respective basic earnings per limited ordinary share or limited preference share for both half-years.

In the first half-year of 2014, a dividend of EUR 0.25 and a bonus of EUR 4.56 for the fiscal year 2013 was distributed for each limited ordinary share (total EUR 18,701 K) and a dividend of 0.31 and a bonus of EUR 4.56 for each limited preference share (total EUR 12,360 K). This adds up to a total of EUR 31,061 K. The dividends were distributed on the day following the general meeting on 17 June 2014.

#### **6. Intangible assets and property, plant and equipment**

During the time period from 1 January to 30 June 2014, the Sto Group acquired assets at a cost amounting to EUR 10,727 K (first half-year of 2013: EUR 9,098 K). In the same period of time, the Group liquidated assets with a value of EUR 175 K (first half-year of 2013: EUR 252 K).

## 7. Disclosures of fair value

The principles and methods for measuring fair value remain fundamentally unchanged from the previous year.

The financial assets and liabilities accounted for at fair value are structured in the following measurement categories:

### Level 1

Financial instruments traded on active markets, the list prices of which were adopted unchanged for measurement purposes.

### Level 2

The measurement is made on the basis of valuation methods where the influential factors are derived either directly or indirectly from observable market data.

### Level 3

The measurement is made on the basis of valuation methods where the influential factors are not based exclusively on observable market data.

For financial instruments that are regularly measured at fair value, we determine whether there were reclassifications between the levels in the hierarchy. This happens by means of a reevaluation at the end of every reporting period (based on the input factor of the lowest level for which the overall measurement of the fair value is significant).

The assets and liabilities affecting net income that are measured at fair value include derivative financial instruments, which are not included in hedge accounting. These are mainly currency forwards.

We assess available-for-sale financial assets with the amortised cost.

The following table shows the carrying amounts and fair values of the financial instruments as at 30 June 2014:

in EUR K	Carrying amount	Fair value
<b>Financial assets</b>		
non-current		
investments	33	33
Loans	528	528
Forward exchange contracts	8	8
Other financial assets	156	156
	<u>725</u>	<u>725</u>
short-term		
Loans	300	300
Financial investments	104,257	104,299
Forward exchange contracts	10	10
Other financial assets	5,441	5,441
	<u>110,008</u>	<u>110,050</u>
Total financial assets	110,733	110,775
<b>Financial liabilities</b>		
non-current		
borrowings	1,891	1,912
Other financial liabilities	2,378	2,378
	<u>4,269</u>	<u>4,290</u>
short-term		
borrowings	6,667	6,667
Forward exchange contracts	126	126
Other financial liabilities	8,826	8,826
	<u>8,952</u>	<u>8,952</u>
Total financial liabilities	19,888	19,909

**Measuring procedure:**

Currency futures are measured based on the observable exchange rate, the yield curves of the respective currencies and the currency-related basic spreads between the respective currencies. The interest rate futures are measured based on the yield curves and the observed credit spreads.

The following table provides an overview of the balance sheet items measured at fair value:

in EUR K	2014-06-30	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	18	0	18	0
<b>Financial assets measured at fair value</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>0</b>
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	126	0	126	0
<b>Financial liabilities measured at fair value</b>	<b>126</b>	<b>0</b>	<b>126</b>	<b>0</b>

In the period of time from 1 January to 30 June 2014, there were no reclassifications between Level 1 and Level 2 and none in or out of Level 3.

## 8. Contingencies and contingent liabilities

As of 30 June 2014, there were obligations from the acquisition of property, plant, and equipment amounting to EUR 3,091 K (31 December 2013: EUR 641 K). Up until 30 June 2014, there were no major changes arising in the remaining contingencies and contingent liabilities described in the 2013 annual report.

## 9. Related party disclosures

The volume of deliveries and services in the first half-year between companies in the Sto Group and related companies is shown in the following table:

in EUR K	Share	Rendered deliveries and services		Received deliveries and services		Receivables from		Payables to	
		2014	2013	2014	2013	2014	2013	2014	2013
Inotec GmbH, Waldshut-Tiengen/Germany	45%	907	708	2,054	1,712	806	600	256	277
JMA GmbH & Co.KG	50%	15	0	15	0	15	0	0	0
STO Management SE		188	0	1,478	0	224	0	2,585	0
Other related persons		0	35	0	0	0	0	0	37

In the reporting period, an additional payment of over EUR 154 K was made in the capital reserve by Stotmeister Beteiligungs GmbH.

## 10. Events after the balance sheet date

On 23 July 2014, the Supervisory Board of STO Management SE, as the personally liable partner, decided on a new Executive Board structure which will come into force in the middle of 2015. Mr Michael Keller will become a new member of the Executive Board of STO Management SE with effect from 1 July 2015 and will then be responsible for Sto brand sales in Germany, alternative distribution channels and central services. Mr Michael Keller is currently the head of the German region for Sto SE & Co. KGaA. His successor from 1 July 2015 will be Mr Heiner Röhr, who is currently responsible for managing the northern sales region in Germany.

In addition, the Supervisory Board decided to name Mr Rainer Hüttenberger, who is currently responsible for marketing and sales for Sto International on the Executive Board, as spokesman for the Executive Board of STO Management SE with effect from 1 July 2015.

The current chairman of STO Management SE and the longstanding CEO of Sto AG, Mr Jochen Stotmeister will resign from the Executive Board in June 2015, as has already been announced. He is intended to make the transition to the Supervisory Board of STO Management SE, where he will take on the role of chairman. In addition, the Supervisory Board supports the aim that Jochen Stotmeister will also join the Supervisory Board of Sto SE & Co. KGaA after the general meeting in 2015.

On 8 August 2014, the Supervisory Board of STO Management SE extended the contract of Mr Rolf Wöhrle, who is currently responsible for finance on the Executive Board of STO Management SE, until 31 August 2018.

## Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the consolidated financial statement, with due regard to the principles of orderly bookkeeping, gives a true and fair view of the assets, financial status and profitability of the Group. In addition, the interim Group management report of the business progress including the business results and the status of the Group presents a true and fair review together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the fiscal year.

Stühlingen, 25 August 2014

Sto SE & Co. KGaA  
represented by STO Management SE  
Executive Board



Jochen Stotmeister  
(Chairman)



Gerd Stotmeister  
(Deputy Chairman)



Rolf Wöhrle



Rainer Hüttenberger