

Sto SE & Co. KGaA, Stühlingen

Interim financial report in accordance with Section 37w of the German Securities Trading Act (WpHG)

For the period from 1 January to 30 June 2016

Overview of the first half of 2016

- **Consolidated turnover at EUR 579.1 million, around 3.1 % up on previous year**
 - **Increase in domestic turnover by 3.5 % to EUR 253.1 million due to Ströher first-time consolidation; foreign volume grows by 2.8 % to EUR 326.0 million**
 - **Consolidated EBIT increases from EUR 17.4 million to EUR 19.1 million in a comparison of the half-year figures**
 - **Group earnings before tax (EBT) at previous year's level of EUR 17.8 million**
 - **Increase in Group workforce from 5,081 to 5,340 due to 286 Ströher employees**
 - **Forecast for total year of 2016 unchanged: increase in turnover of 5 % to around EUR 1,277 million and EBIT of EUR 80 million to EUR 90 million expected**
-

Sto SE & Co. KGaA, Stühlingen

Consolidated interim management report for the first half of 2016

Business and general conditions

The company

The Sto Group is a major international manufacturer of products and systems for building coatings. The product range is divided into four product groups: the core business **facade systems** includes external wall insulation systems (EWIS), a segment in which our company occupies a leading position, as well as rainscreen cladding systems (RSC). In the 2015 fiscal year, this product group accounted for a total of 48.1 % of Group turnover. **Facade coatings**, which include render and paint systems for exteriors, accounted for 25.4 % of the turnover, and **products for interiors**, such as plaster and paint systems optimised for home and office interiors, decorative coatings, and acoustic systems for regulating sound reported a turnover share of 13.2 %. Furthermore, we produce and sell high-quality floor coatings and products for concrete repair which are attributed to the **other product groups** category.

There have been no changes to Sto's Group structure, management system, or strategy in the first half of 2016. They are described in detail in the Annual Report for 2015, which is available for download at www.sto.de in the section “Investor Relations” under “Unternehmen” (company). Alternatively, it can be requested from Sto SE & Co. KGaA.

Overview of business development in the first half of 2016 and general statement by the Executive Board

Turnover within Sto SE & Co. KGaA continued to develop below our expectations during the second quarter of 2016, on both domestic and foreign markets. However, consolidated turnover from January to June was around 3.1 % above the previous year's volume, reaching EUR 579.1 million (previous year: EUR 561.6 million).

This increase was largely attributable to the first-time inclusion of the Ströher Group, which achieved a turnover with third parties of EUR 15.7 million during the reporting period. Without factoring in the first-time consolidation effects and the overall negative effects of currency conversion amounting to EUR -5.7 million, the Group-wide increase in turnover during the first half of 2016 reached 1.3 %.

In addition to isolated regional effects of the weather, the weak situation of various markets was responsible for the subdued progress. In Germany, demand within the core facade systems business remained, in particular, significantly lower than forecast. The unease present among private building owners, fuelled by contradictory and in some cases highly exaggerated media reports on external wall insulation systems (EWIS), continued unabated and was especially evident in this area. As a result, the German EWIS market recorded a noticeably negative performance during the reporting period when compared with the domestic construction industry. Sto's domestic turnover, which – with the inclusion of Ströher – grew by 3.5 % to EUR 253.1 million (previous year: EUR 244.5 million), would have been lower as compared with the previous year's volume had it not been for the effect of first-time consolidation.

Abroad, Sto achieved a 2.8 % increase in turnover during the first six months of the year and, thanks to healthy development in North America in particular, recorded a business volume of EUR 326.0 million (previous year: EUR 317.1 million). In contrast, significant losses had to be coped with in China, Switzerland, and Italy among others.

The Sto Group's earnings before interest and taxes (EBIT) increased from EUR 17.4 million to EUR 19.1 million in a comparison of the half-year figures. Earnings before tax (EBT) and the Group's net result each remained at the previous year's level, amounting to EUR 17.8 million and EUR 12.1 million respectively.

Where 2016 as a whole is concerned, the Executive Board believes that it will be possible to reach the targets set for turnover and results if weather conditions develop favourably, and its forecasts remain unchanged.

Economic conditions

Over the course of 2016 so far, trends in the international construction industry have varied according to location. The **USA** market segment enjoyed an upturn, for example. According to GTAI (Germany Trade and Invest), one indicator of the growth trend is the wage increases the sector is experiencing; these have been accelerating for several months now. The sharp rise in competition for skilled workers also points to a larger market volume.

The construction industry in **China**, on the other hand, is currently on a path towards stagnation. GTAI data indicates that growth in 2015 was in single digits for the first time, with an expansion in infrastructure providing the only source of momentum. In spite of stable prices, there is no sign of stimulus in the residential construction industry.

In **Europe**, estimates from Eurostat suggest that production in the building industry underwent a gradual decline during the first five months of 2016. In May, it dropped 0.5 % as compared with the previous month; the decline had amounted to 0.3 % in April. In a comparison with the same period of the previous year, production during the first three months of 2016 grew, although losses were then recorded for April as compared with the same month in 2015.

Overall, the **German construction industry** demonstrated healthy growth during the first few months of 2016. Figures from the German Federal Statistical Office indicate that order receipts during the first five months of 2016 achieved a nominal rise of 17.3 % above the previous year's value. The steadily healthy demand situation that had prevailed since summer 2015 was also reflected in turnover in the main construction sector, which increased by 8.1 % during the period up to the end of May; residential construction recorded the most significant rise. In this case, turnover was 17.2 % above the 2015 value. Positive signs were also heralded by commercial construction (+5.3 %) and public-sector construction (+5.7 %).

Earnings, finance and asset situation of the Sto Group

Consolidated turnover up 3.1 %

During the first six months of 2016, the **consolidated turnover** of Sto SE & Co. KGaA rose by 3.1 % to EUR 579.1 million, of which EUR 15.7 million was attributable to the first-time inclusion of the Ströher Group in the half-year financial statements. The positive effect felt by this first-time consolidation was contrasted by losses arising from currency conversions, amounting to EUR 5.7 million. Excluding these factors, the Group recorded growth in turnover of 1.3 % by the end of June 2016 compared to the same period of the previous year.

On the **domestic** market, Sto SE & Co. KGaA posted a Group-wide increase of 3.5 % to EUR 253.1 million, exclusively as a result of the expansion in the companies consolidated. **Foreign** turnover, meanwhile, grew by 2.8 % to EUR 326.0 million. The share of Group turnover generated abroad fell slightly from 56.5 % to 56.3 % in a comparison of the half-year figures.

In July 2016, turnover continued to develop below our expectations and, surprisingly, was below the previous year's figure.

Turnover trend across the segments

Turnover in the **Western Europe** segment – including Germany – grew by 3.1 % to EUR 446.1 million in the first half of 2016 (previous year: EUR 432.6 million). Without the effects of Ströher, there would have been a slight decline of 0.5 %, particularly as a result of losses in Germany, Switzerland, and Italy.

In the **Northern/Eastern Europe** region, growth in turnover amounted to 8.0 % in a comparison of the half-year figures. This was particularly attributable to the healthy business development experienced in Eastern Europe. In Northern Europe, demand was inconsistent but, on balance, also put in a positive performance. Consolidated turnover in this segment amounted to EUR 61.8 million in total (previous year: EUR 57.2 million).

In a comparison of the half-year figures, the **America/Asia** region demonstrated a slight drop of 0.8 % to EUR 71.2 million (previous year: EUR 71.8 million), which was largely attributable to declining demand in China. Sto achieved considerable growth in North America.

Consolidated earnings above previous year

During the first half of 2016, some items on the Sto Group's operating statement were significantly affected by the first-time consolidation of the Ströher Group. **Total revenues** over the first six months of 2016 rose to EUR 583.8 million following a figure of EUR 564.5 million during the same period of the previous year.

Income in the Sto Group was affected by higher **personnel expenses**. In relation to turnover, these rose disproportionately by 5.7 % to EUR 167.6 million (previous year: EUR 158.5 million). Of this, an amount of EUR 6.0 million was posted due to the first-time inclusion of the Ströher Group. Increases due to collective labour agreements also contributed to the Group-wide rise in personnel costs. In addition to this, Sto added to its staff numbers in regions where we are expecting turnover to grow in the medium term. At the same time, however, changes were made to specific areas in companies experiencing difficult general economic conditions.

In spite of the rise in turnover, **material expenses** during the first half of 2016 increased only slightly to EUR 256.9 million (previous year: EUR 256.3 million), as Sto was once again able to take advantage of procurement benefits. However, pressure on sales prices also rose. The balance of **other operating income** and **other operating expenses** stood at EUR -124.7 million following EUR -116.5 million in the comparison period, primarily due to the first-time consolidation of Ströher. **Depreciation/amortisation** of intangible assets as well as property, plant and equipment during the first two quarters reached EUR 15.5 million, almost the same as the previous year's level (previous year: EUR 15.8 million).

In total, **consolidated earnings before interest and taxes (EBIT)** amounted to EUR 19.1 million (previous year: EUR 17.4 million) during the first half of 2016.

Net financial income/expense fell from EUR 0.4 million to EUR -1.3 million; contributing factors were not only the market-related lower net interest income and the effects of Ströher's first-time consolidation, but also the previous year's earnings from a sale of a subsidiary, which shored up the equivalent value for 2015. For the first six months of 2016, this resulted in stable **earnings before tax (EBT)** of EUR 17.8 million. After tax, the **net result** also remained at the previous year's level, reaching EUR 12.1 million. At the mid-point of 2016, the profit per limited preference share stood at EUR 2.06 (previous year: EUR 1.98) and at EUR 2.00 per limited ordinary share (previous year: EUR 1.92).

Earnings trend across the segments

Broken down into individual segments, the results developed as follows. In the Western Europe area, EBIT during the first six months of 2016 remained at the previous year's level by reaching EUR 20.5 million, while Northern and Eastern Europe recorded a negative result of EUR -2.3 million (previous year: EUR -1.6 million). In the America/Asia segment, EBIT improved in a comparison of the half-year figures, moving from EUR -0.6 million to EUR 0.9 million.

Liquidity movements

Cash flow from operating activities, which is usually negative in the first half of the year due to the seasonal nature of Sto's business, improved throughout the Group from EUR -37.2 million in the same period of the previous year to EUR -22.5 million. In addition to lower additional funds in the net current assets, lower income tax payments were one of the factors contributing to this result.

Cash flow from investment activities stood at EUR 5.4 million (previous year: EUR 89.8 million) after six months. Outflows relating to investments in property, plant and equipment as well as intangible assets increased from EUR 10.6 million to EUR 13.7 million. In addition to this, EUR 9.1 million was spent on the acquisition of consolidated companies during the reporting period. We received EUR 27.5 million by releasing financial investments during the reporting period, compared to EUR 103.9 million in the previous year. No new financial investments were made during the reporting period (previous year: EUR 5.2 million).

The **cash flow in financing activities** amounted to EUR -3.9 million (previous year: EUR -134.7 million), with dividend distribution to our shareholders accounting for EUR 31.1 million (previous year: EUR 163.3 million).

Taking into account changes to the tune of EUR -0.7 million (previous year: EUR +3.3 million) due to the exchange rate, **financial resources** on 30 June 2016 came to EUR 49.1 million (previous year: EUR 34.3 million). For seasonal reasons, cash and cash equivalents dropped by EUR 21.8 million compared to year end 2015 (previous year: EUR 78.8 million).

Investments

During the first six months of 2016, the Sto Group's investments in property, plant and equipment as well as intangible assets rose from EUR 10.6 million to EUR 13.6 million. In addition to the usual investments in replacement and renovation, a main focus was the construction of the new office building at our headquarters in Stühlingen, in which we will take up residence during the third quarter of 2016. The building complex uses low-emission building products and an innovative energy concept involving renewable sources. Investments were also made in expanding the production, logistics, and office capacity available at Verotec GmbH in Lauingen.

Asset situation

On the reference date of 30 June 2016, Sto SE & Co. KGaA's **consolidated statement of its financial position** had increased by 12.2 % on the value for year end 2015 to EUR 720.0 million, something that was largely due to seasonal factors as well as the first-time consolidation of the Ströher Group. On the **assets side**, property, plant and equipment grew from EUR 242.5 million to EUR 252.1 million, and intangible assets from EUR 39.5 million to EUR 47.5 million. In total, **non-current assets** rose by EUR 22.4 million to EUR 323.3 million, with EUR 20.0 million attributable to Ströher.

From January until the end of June, **current assets** rose by EUR 55.7 million to EUR 396.7 million for mainly seasonal reasons; the increases in inventory from EUR 71.2 million to EUR 101.7 million and in current receivables from deliveries and services, from EUR 123.0 million to EUR 197.9 million, were particularly notable in this respect. Both increases were also partly the result of the first-time consolidation of the Ströher Group, a category in which inventory of EUR 14.4 million and receivables from deliveries and services of EUR 5.0 million were recorded. As a result of seasonal financial operating activities, current financial assets in the Sto Group fell by EUR 31.6 million to EUR 27.2 million, while cash and cash equivalents fell by EUR 21.8 million to EUR 49.1 million.

On the **liabilities side**, total **equity** in the Group at the end of June 2016 amounted to EUR 381.1 million and was therefore EUR 23.6 million below the value on 31

December 2015. This was primarily due to the dividend distribution of EUR 31.1 million as well as actuarial losses from the measurement of the post-employment benefit provisions, which were EUR 10.7 million when set off against deferred taxes. Seen alongside the profit for the period, this resulted in revenue reserves falling by EUR 29.8 million to EUR 298.8 million overall. On the reference date of 30 June 2015, the **equity ratio** was at a healthy 52.9 % compared to 63.0 % at year end 2015.

The total **non-current provisions and liabilities** rose by EUR 27.7 million to EUR 119.1 million during the first six months of 2016. Growth was particularly felt in post-employment benefit provisions, which grew from EUR 22.5 million to EUR 104.0 million; around EUR 15.0 million of this was attributable to the current interest rate trend. The Ströher Group's share in non-current provisions and liabilities amounted to EUR 10.3 million. **Current provisions and liabilities** rose by EUR 74.1 million to EUR 219.9 million, mainly for seasonal reasons and also due to temporary financing. In this case, the amount attributable to Ströher was EUR 13.7 million. Trade payables in the Sto Group increased by EUR 21.0 million to EUR 65.4 million and other current liabilities by EUR 27.7 million to EUR 68.8 million, while non-current financial liabilities fell by EUR 13.9 million to EUR 12.4 million.

Net borrowings for the Sto Group at the mid-point of the year amounted to EUR 41.7 million. Taking into account cash and cash equivalents, this resulted in **net financial assets** of EUR 7.4 million (31 December 2015: EUR 66.4 million). As a result of the seasonal variability affecting the business model, the demand for liquidity to finance current business is subject to significant fluctuations, which means that there is a great need for cash in the first few months of a calendar year in particular.

Employees

Workforce expanded by Ströher employees

At the end of June 2016, the Sto Group had 5,340 employees worldwide as compared to 5,081 on 30 June 2015 (+259 employees; +5.1 %) and 5,032 at the 2015 year end (+6.1 %). The Ströher Group, which is exclusively based in Germany, counted 286 employees, which means that without the first-time consolidation there would have been a slight decline across the whole Group.

On a domestic level, there were 2,896 employees including Ströher (previous year: 2,627), while the net Sto workforce abroad fell slightly from 2,454 to 2,444. Targeted restructuring measures in regions battling difficult economic conditions were contrasted with new appointments in countries with medium-term growth prospects. At the end of June, the percentage of the Group's workforce employed abroad had fallen from 48.3 % to 45.8 %.

Dividing these figures into segments, the mid-year situation is as follows: Sto has a total of 4,096 employees in Western Europe (including Germany), 641 in Northern/Eastern Europe, and 603 in America/Asia.

Events following the conclusion of the reporting period

Effective as of 1 July 2016, Sto SE & Co. KGaA has purchased the full amount of shares in Hesselberg Bygg AS, a Norwegian manufacturer of industrial flooring. The company is headquartered in Moss, Norway, and has subsidiaries in both Sweden and Lithuania. With 28 employees and an annual turnover figure of around EUR 11 million, Hesselberg Bygg AS is one of Scandinavia's leading manufacturers of reactive resin-based floor coatings for industrial buildings, public and exterior areas, and for decorative applications. The company offers an especially appealing range for the food industry, for outdoor use, and for decorative purposes, perfectly complementing our own range of floor coatings.

Hesselberg Bygg is to be integrated into the Sto Group as an independent subsidiary of Sto SE & Co. KGaA. StoCretec GmbH, our centre of expertise for concrete repair and floor coating products, will be responsible for the company's technical supervision.

Between the end of the reporting period and the point at which this report was signed off, there were no other events of particular note or with a significant impact on the earnings situation, the financial position, or the asset situation of the Sto Group.

Risk report

The structure of the risk management and internal control system (ICS) and the risks to which the Sto Group is exposed – which remain unchanged – are described

in detail in the 2015 Group management report. At present, no appreciable risks are apparent that could have a permanent and significant adverse effect on the earnings situation, the financial position, or the asset situation of the Sto Group.

Outlook report

International construction industry

GTAI figures indicate that the **US construction industry** is on a healthy course that it is likely to continue pursuing during the second half of the year. In 2016, the value of newly launched construction projects in the USA is set to increase by 6 %, with the outlook for residential construction particularly positive. An increase of 9 % is being forecast in the area of non-residential construction, largely as a result of office and hotel projects. Opportunities for obtaining contracts from publicly financed projects and the infrastructure sector remain somewhat limited in view of meagre public budgets.

In **China**, the market environment is continuing to perform poorly: GTA I expects 2016 and 2017 to bring a further decrease in construction activities. Analyses conducted by Swiss bank UBS suggest that the residential market may start to recover during the current year if the state measures that have already been taken, and those that are in the pipeline, have the desired effect. On the whole, the bank is predicting the residential construction sector to experience growth in the single-digit range.

In **Europe**, EUROCONSTRUCT is forecasting a 3 % rise in volume of construction in 2016. Residential construction is set to gather particular momentum, the result of improved development in the new construction sector. Forecasts are good in the German, Dutch, Swedish, and Spanish markets in particular; however, Switzerland and Austria are expected to demonstrate only slight improvement. It is currently believed that renovation measures on existing buildings will develop in a much more restrained fashion. As such, modernisation activities in the residential construction sector are set to rise by just 1.2 % across Europe. Non-residential structural and civil engineering measures in Europe's buildings are being predicted to increase in 2016 by 2.9 % and 2.7 % respectively.

Figures from Germany's central construction industry association, the Hauptverband der deutschen Bauindustrie, suggest that turnover in the **German building industry** is set to rise by around 3 % over 2016 as a whole. It is expected that the residential construction sector in particular will bring some positive stimulus, with multiple-family dwelling construction likely to once again grow at a higher rate than single-family and two-family dwelling construction. Strong growth in turnover is also being forecast for public construction; however, the industry association believes that commercial construction will experience stagnation.

Sto: outlook unchanged for 2016 as a whole

Assuming that weather conditions develop favourably, Sto still expects 2016 as a whole to bring an increase in turnover of 5 % to around EUR 1,277 million in the Group. Although the Brexit vote in the United Kingdom has triggered significant uncertainty across the globe, we do not believe that the aftermath of the referendum will have direct consequences for the Sto Group's business development. Over the medium- to long-term, however, the decision to leave the EU may result in weakened economic conditions in the United Kingdom and the EU in particular. As things stand, consolidated earnings before interest and taxes (EBIT) in the Sto Group are likely to amount to between EUR 80 million and EUR 90 million during 2016. It is, however, difficult to predict the effects of the weather, which have a huge impact on the company's turnover and earnings trends.

In order to draw business development closer towards the announced long-term turnover and earnings targets, Sto initiated the New Balance programme. Its main objective is to improve returns and to increase sales performance in defined product groups. Long-term positive effects are currently expected to be felt from the year 2017.

Stühlingen, August 2016

Sto SE & Co. KGaA

represented by STO Management SE

The Executive Board

Sto SE & Co. KGaA, Stühlingen
Condensed consolidated statement of profit or loss
For the period from 1 January to 30 June 2016

	30.06.2016	30.06.2015
	EUR	EUR
1. Revenues	579,111,151.71	561,554
2. Changes in product inventories	4,711,823.25	2,966
3. Other internally generated assets capitalised	0.00	0
Total revenues	583,822,974.96	564,520
4. Other operating income	6,391,089.17	9,626
5. Cost of materials	-256,909,998.32	-256,310
6. Personnel expenditure	-167,644,699.80	-158,517
7. Other operating expenses	-131,059,051.00	-126,108
EBITDA	34,600,315.01	33,210
8. Depreciation and amortisation of intangible assets as well as property, plant and equipment	-15,526,092.80	-15,794
EBIT (Earnings before interest and taxes)	19,074,222.21	17,416
9. Financial income	-1,280,579.98	406
EBT (Earnings before taxes)	17,793,642.23	17,822
10. Taxes on income earnings	-5,676,171.87	-5,734
EAT (earnings after taxes)	12,117,470.36	12,088
of which:		
Share of minority interests	-865,808.72	-396
Share attributable to the shareholders of Sto SE & Co. KG.	12,983,279.08	12,484
<i>Earnings per share basic/diluted in EUR</i>		
Ordinary share	2.00	1.92
Preference share	2.06	1.98

Sto SE & Co. KGaA, Stühlingen
 Consolidated group statement of recognised income and expenses
 For the period from 1 January to 30 June 2015

	30 June 2016 EUR	30 June 2015 EUR
EAT (earnings after taxes)	12,117,470.36	12,088
Currency translation		
<i>Currency translation differences</i>	-1,030,555.78	4,906
<i>Deferred taxes</i>	0.00	0
Currency translation differences after taxes	-1,030,555.78	4,906
Earnings to be reclassified in the statement of profit or loss in future periods	-1,030,555.78	4,906
Actuarial gains or losses		
<i>Actuarial gains or losses</i>	-15,049,344.02	0
<i>Deferred taxes</i>	4,319,088.42	0
Earnings not to be reclassified in the statement of profit or loss in future periods	-10,730,255.60	0
Other earnings after taxes	-11,760,811.38	4,906
Overall earnings after taxes	356,658.98	16,994
of which:		
<i>Share of minority interests</i>	-909,803.40	-396
<i>Share attributable to the shareholders of Sto SE & Co. KGaA</i>	1,266,462.38	17,390

Sto SE & Co. KGaA, Stühlingen
Consolidated balance sheet as at 30 June 2016 and 31 December 2015

Assets	30.06.2016 EUR	31.12.2015 EUR K	Liabilities	30.06.2016 EUR	31.12.2015 EUR K
A. Non-current assets			A. Equity capital		
I. Intangible assets	47,486,051.48	39,470	I. Subscribed capital	17,556,480.00	17,556
II. Property, plant and equipment	252,105,360.74	242,525	II. Capital reserves	57,803,590.41	57,804
III. Financial assets accounted for using the equity method	0.00	0	III. Revenue reserves and other reserves	298,799,622.28	328,596
Fixed assets	299,591,412.22	281,995	Share attributable to the shareholders of Sto SE & Co. KGaA	374,159,692.69	403,956
IV. Non-current trade receivables	1,138,866.97	1,053	IV. Share of minority interests	6,935,583.32	744
V. Non-current income tax receivables	736,386.90	736	TOTAL EQUITY CAPITAL	381,095,276.01	404,700
VI. Non-current financial assets	666,006.86	191	B. Non-current provisions and liabilities		
VII. Other non-current assets	583,756.83	1,131	I. Provisions for post-employment benefits and similar liabilities	103,962,597.13	81,477
VIII. Deferred tax assets	20,596,538.27	15,819	II. Deferred tax liabilities	3,433,588.38	538
Other non-current assets	23,721,555.83	18,931	III. Other non-current provisions	8,615,141.11	8,442
TOTAL NON-CURRENT ASSETS	323,312,968.05	300,927	IV. Non-current borrowings	2,284,435.29	313
B. Current assets			V. Non-current financial liabilities	751,849.99	662
I. Inventories	101,739,456.70	71,223	VI. Other non-current liabilities	12,641.99	11
II. Current trade receivables	197,891,378.13	123,025	TOTAL NON-CURRENT PROVISIONS AND LIABILITIES	119,060,253.89	91,442
III. Current income tax receivables	12,921,774.99	6,119	C. CURRENT PROVISIONS AND LIABILITIES		
IV. Current financial assets	27,239,827.95	58,762	I. Other current provisions	29,488,029.55	25,796
V. Other current assets	7,860,171.11	11,001	II. Current borrowings	39,404,576.72	4,162
VI. Cash and cash equivalents	49,076,914.18	70,862	III. Trade payables	65,428,292.03	44,355
	396,729,523.06	340,992	IV. Current income tax liabilities	4,351,318.89	4,144
VII. Available-for-sale assets	0.00	0	V. Current financial liabilities	12,389,700.94	26,265
TOTAL CURRENT ASSETS	396,729,523.06	340,992	VI. Other current liabilities	68,825,043.08	41,054
			TOTAL CURRENT PROVISIONS AND LIABILITIES	219,886,961.21	145,777
			TOTAL DEBT CAPITAL	338,947,215.10	237,219
Total assets	720,042,491.11	641,919	Total assets	720,042,491.11	641,919

Sto SE & Co. KGaA, Stühlingen
Statement of changes in equity capital as at 30 June 2016

in EUR K	Equity attributable to the shares of the parent company							Total	Share of minority interests	Total equity capital
	Subscribed capital	Capital reserves	Revenue reserves	Currency translation reserve	Reserve for pensions	Provision for cash flow hedges	Treasury stock			
Status as at 01 January 2015	17,556	57,804	472,636	7,879	-27,465	0	-23,055	505,355	1,126	506,481
EAT (earnings after taxes)	0	0	12,483	0	0	0	0	12,483	-395	12,089
Other earnings (after taxes)	0	0	0	4,906	0	0	0	4,906	0	4,906
Income and expenses recognised	0	0	12,483	4,906	0	0	0	17,390	-395	16,995
Dividend payout	0	0	-163,308	0	0	0	0	-163,308	0	-163,308
Deposit by associates	0	0	0	0	0	0	0	0	0	0
Status as at 30 June 2015	17,556	57,804	321,811	12,785	-27,465	0	-23,055	359,436	731	360,167
Status as at 01 January 2016	17,556	57,804	365,454	10,831	-24,634	0	-23,055	403,956	744	404,700
EAT (earnings after taxes)	0	0	12,983	0	0	0	0	12,983	-866	12,117
Other earnings (after taxes)	0	0	0	-1,031	-10,686	0	0	-11,717	-44	-11,762
Income and expenses recognised	0	0	12,983	-1,031	-10,686	0	0	1,265	-910	356
Dividend payout	0	0	-31,061	0	0	0	0	-31,061	0	-31,061
Deposit by associates	0	0	0	0	0	0	0	0	0	0
Minority shares from corporate acquisition	0	0	0	0	0	0	0	0	7,102	7,102
Status as at 30 June 2016	17,556	57,804	347,376	9,800	-35,321	0	-23,055	374,160	6,936	381,096

Sto SE & Co. KGaA, Stühlingen
Consolidated cash flow statement
For the period from 1 January to 30 June 2016

	30 June 2016	30 June 2015
	EUR K	EUR K
1. Cash flow from operating activities		
Accounting profit	17,794	17,822
Depreciation of non-current assets	15,526	15,794
Net profit/loss from disposal of non-current assets	-164	-484
Net profit/loss from the fair-value measurement of investments in associates	349	0
Net interest income/expense and other net finance income/ expense	932	-406
Income taxes paid	-9,946	-13,883
Change in provisions	4,484	1,910
Change in net current assets	-51,518	-57,904
Cash flow from operating activities	-22,543	-37,151
2. Cash flow from investment activities		
Investment in property, plant and equipment and intangible assets	-13,646	-10,613
Disbursements for capital increase in joint ventures	-349	0
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)	-9,120	-48
Payments received from the disposal of intangible assets and property, plant and equipment	741	1,054
Interest payment received	245	741
Disbursements for financial investments	0	-5,200
Deposits from financial investments	27,539	103,851
Cash flow from investment activities	5,410	89,785
3. Cash flow from financing activities		
Payments for the acquisition of minority interests	0	0
Increase in non-current borrowings	500	0
Payments for non-current borrowings	-154	-123
Payments for current borrowings	-287	-2,476
Payments received for current borrowings	27,405	31,535
Dividend distribution	-31,061	-163,308
Deposits by associates	0	0
Interest payments	-317	-295
Cash flow from financing activities	-3,914	-134,667
Change in cash and cash equivalents from changes in exchange rates	-738	3,266
Cash and cash equivalents at beginning of period	70,862	113,017
Change in cash and cash equivalents	-21,785	-78,767
Cash and cash equivalents at the end of period *	49,077	34,250

*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 2016

Information on geographic segments by sales markets (K EUR)

	Western Europe	Other Northern / Eastern Europe	America / Asia	Transitional / consolidation entries	Group
Zeitraum vom 1. Januar bis 30. Juni 2016					
External revenues	446,111	61,761	71,239	0	579,111
Inter-segment revenues	17,714	201	1	-17,915	0
Segment revenues	463,825	61,961	71,240	-17,915	579,111
EBITDA	32,979	-919	2,581	-42	34,600
Depreciation/amortisation	12,513	1,353	1,660	0	15,526
EBIT (Earnings before interest and taxes)	20,466	-2,272	921	-42	19,074
EBT (Earnings before taxes)	18,942	-2,253	1,147	-42	17,794
Investments	10,564	698	2,384	0	13,646
Staff on balance sheet date	4,096	641	603	0	5,340
	Western Europe	Other Northern / Eastern Europe	America / Asia	Transitional / consolidation entries	Group
For the period from 1 January to 30 June 2015					
External revenues	432,636	57,221	71,784	-87	561,554
Inter-segment revenues	16,678	82	53	-16,813	0
Segment revenues	449,314	57,303	71,837	-16,900	561,554
EBITDA	32,268	-405	2,184	-837	33,210
Depreciation/amortisation	11,758	1,227	2,807	2	15,794
EBIT (Earnings before interest and taxes)	20,510	-1,632	-623	-839	17,416
EBT (Earnings before taxes)	20,687	-1,630	-403	-832	17,822
Investments	7,213	1,659	1,741	0	10,613
Staff on balance sheet date	3,808	637	636	0	5,081

Sto SE & Co. KGaA, Stühlingen

Notes to the condensed consolidated interim financial statement for the period from 1 January to 30 June 2016

1. Basis of preparation

Sto SE & Co. KGaA prepared its consolidated financial statement for the 2015 fiscal year in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Accordingly, this interim financial statement as at 30 June 2016 has similarly been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as a condensed interim report.

The condensed consolidated interim financial statement does not encompass all of the information and details required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statement as at 31 December 2015.

The consolidated interim financial statement has not been subjected to audit.

The condensed consolidated interim financial statement for the first half of 2016 was approved for publication by the personally liable STO Management SE on 23 August 2016.

2. Accounting and measurement principles

In order to draw up the condensed consolidated interim financial statement, the accounting methods applicable until 31 December 2015 for the consolidated annual financial statement, with the exception of the standards and interpretations that became applicable on 1 January 2016, were adopted unchanged. A detailed description of these accounting policies was published in the notes to the 2015 consolidated financial statement.

The accounting regulations that became applicable for the first time in the fiscal year of 2016 have no appreciable impact on the presentation of the asset situation, financial position or earnings situation in the consolidated interim financial statement.

In the present consolidated interim financial statement, discount rates for post-employment benefit provisions of 1.35 % (31 December 2015: 2.35 %) are used for associates with the Euro as their functional currency. The adjustment of the post-employment benefit provision took into account the actuarial sensitivity and took place on 31 December 2015. For associates with a different functional currency, the discount rate is set at 0.7 % (31 December 2015 0.7 %).

Income tax expense was calculated in accordance with IAS 34 'Interim Financial Reporting' on the basis of the effective anticipated tax rate for the entire fiscal year.

3. Companies consolidated

The consolidated financial statement includes Sto SE & Co. KGaA as well as the domestic and non-domestic subsidiaries on which Sto SE & Co. KGaA is able to exercise a controlling influence as defined in IFRS 10. Control as defined in IFRS 10 exists when an investor has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns.

When evaluating the companies consolidated, the joint control, or the type of joint control, no significant evaluations or assumptions were necessary, because the allocation was clear in the Sto Group without them. With associates where less than 50 % of capital shares are held and which are nevertheless fully consolidated, control is assured via further contractual agreements.

At the start of January 2016, 50.1 % of the equity shares and voting rights of Ströher GmbH, Dillenburg were acquired and control therefore obtained. The Ströher Group, consisting of the parent company Ströher GmbH and the 100% subsidiaries Ströher Produktions GmbH & Co. KG, Ströher Verwaltungs GmbH, and Gepadi Fliesen GmbH – all headquartered in Dillenburg – are therefore part of the companies consolidated of this consolidated financial statement since January 2016.

The Ströher Group has made a name for itself with the production of hard-wearing and frost-proof outdoor ceramics by means of a state-of-the-art extrusion technique. With respect to the application of brick slips on facades and external wall insulation systems, Ströher commands a high degree of professional and manufacturing expertise as well as attractive ranges. By acquiring these shares, the Sto Group is able to improve its position in the facade area and expand its range in a targeted manner. From these turnover opportunities as well as the expected synergies from integrating the Ströher Group into the Sto Group, the difference between the consideration and the net worth identified at fair value is recorded as goodwill.

The fair values of identifiable assets and liabilities of the Ströher companies at the time of acquisition are shown provisionally in the following, as the final independent valuations of intangible assets are not yet available:

Fair value as at the time of acquisition	EUR K
Intangible assets	5,545
Property, plant and equipment	11,392
Inventories	12,744
Trade receivables	3,477
Other receivables and financial assets	1,428
Cash and cash equivalents	1,580
Total assets	36,166
Provisions	6,826
Trade payables	2,276
Borrowings	9,751
Other liabilities	1,425
Deferred tax liabilities	1,656

Total liabilities	21,934
Total identifiable net assets at fair value	14,232
Non-controlling shares evaluated with the value of the net assets	7,102
Acquired shares evaluated with the value of the identifiable net assets	7,130
Goodwill from corporate acquisition	3,570
Transferred consideration	10,700

Sto has decided, as part of the first-time consolidation, to value the shares of the non-controlling shareholders of the Ströher Group with the proportionate value of the net identifiable assets.

If the remaining shares are acquired, depending on the turnover situation of the Ströher Group in the years 2015-2020, an adjustment can be made to the transferred consideration. At this point in time, Sto assumes that there will be no such adjustment.

The total transaction-related costs to the amount of EUR 326 K were included in other operating expenses.

Turnover in the first half of 2016 amounted to EUR 15.7 million (consolidated). Earnings before tax amounted to EUR -0.8 million. The net amount of the receivables corresponds to the fair value thereof. Adjustments of EUR 298 K were taken into account. The deferred tax liabilities mainly include effects of accounting for intangible assets as well as of varying evaluation of property, plant and equipment under the purchase method. Cash outflow due to corporate acquisition is as follows:

Cash outflow due to corporate acquisition	EUR K
Transaction costs of corporate acquisition (contained in the cash flow from operating activity)	-326
Cash and cash equivalents acquired with the subsidiary	1,580
Outflow of cash and cash equivalents	-10,700
Actual cash outflow due to corporate acquisition	-9,446

4. Seasonal influences on business activities

Owing to the seasonal fluctuations in the building industry, a higher volume of sales and operating result than that achieved in the first half of the year is normally expected in the second half of the year. The generally higher turnover from May to October is essentially as a result of the weather.

5. Earnings per share / distributed dividends

Basic earnings per limited ordinary or limited preference share are calculated by dividing the proportion of earnings attributable to Sto SE & Co. KGaA's limited ordinary or limited preference shareholders by the weighted average number of limited ordinary and limited preference shares in circulation during the fiscal year.

In addition to shares outstanding, diluted earnings per share also include potential shares (e.g. from options). Both at 30 June 2016 and 30 June 2015, there were no potential shares. Accordingly, basic and diluted earnings per share are identical in both years.

In the first half of 2016, a dividend of EUR 0.25 as well as an extra dividend of EUR 4.56 per limited ordinary share, and a dividend of EUR 0.31 as well as an extra dividend of EUR 4.56 per limited preference share, were distributed for the 2015 fiscal year. This corresponds to a total dividend payout amount of EUR 31,061 K. The distribution of dividends occurred on the day after the Annual General Meeting held on 9 June 2016.

6. Intangible assets and property, plant and equipment

In the period from 1 January to 30 June 2016, the Sto Group acquired assets at acquisition costs of EUR 13,646 K (first half of 2015: EUR 10,613 K). In the same period, the Group sold assets with a carrying amount of EUR 605 K (first half of 2015: EUR 659 K).

7. Information on fair value

The principles and methods for fair value valuation remain unchanged in principle from the previous year.

The financial assets and liabilities accounted for at fair value are structured according to the following valuation categories:

Level 1

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

Level 2

The measurement is made on the basis of valuation methods in which the influential factors are derived either directly or indirectly from observable market data. The derivative are currency hedges only. They are measured based on the observable exchange rates, the interest structure curves of the respective currencies as well as the currency related basic spreads between the respective currencies.

Level 3

The measurement is effected using valuation methods where the influential factors are not based exclusively on observable market data.

During the reporting period there were no reclassifications of measurements at fair value between Level 1 and Level 2 and no reclassifications to or from measurements at fair value at Level 3.

The assets and liabilities accounted for at fair value with an impact on profit and loss comprise derivative financial instruments, which are not included in hedge accounting. These are essentially currency futures.

The following table shows carrying amounts and fair values of financial instruments as at 30 June 2016:

in EUR K	Carrying amount 30.06.2016	Fair value 30.06.2016
Financial assets		
Non-current		
Investments	50	50
Loans	616	616
Non-current financial assets in total	666	666
Current		
Financial investments	25,470	25,470
Loans	4	4
Forward exchange contracts	498	498
Other financial assets	1,267	1,267
Current financial assets in total	27,239	27,239
Total financial assets	27,905	27,905
Financial liabilities		
Non-current		
Borrowings	2,284	2,284
Other financial liabilities	719	719
Forward exchange contracts	33	33
Non-current financial liabilities	3,036	3,036
Current		
Borrowings	39,405	39,405
Forward exchange contracts	300	300
Other financial liabilities	12,090	12,090
Current financial liabilities in total	51,795	51,795
Total financial liabilities	54,831	54,831

The carrying amounts of cash and cash equivalents, receivables and liabilities from deliveries and services correspond mainly to the fair values due to the short terms. Interest rates have virtually remained unchanged during the last half year.

The following table contains an overview of the balance sheet items accounted for at fair value:

in EUR K	30.06.2016	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	498	0	498	0
Financial assets measured at fair value	498	0	498	0
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	333	0	333	0
Financial liabilities recognised at fair value	333	0	333	0

8. Contingencies and contingent liabilities

As at 30 June 2016, liabilities for the acquisition of property, plant and equipment stood at EUR 14,177 K (30 June 2015: EUR 10,035 K). Other contingencies and contingent liabilities contained in the 2015 consolidated financial statement showed no appreciable changes as at 30 June 2016.

9. Related party disclosures

The volume of deliveries and services in the first half year between associates of the Sto Group and related parties are set out in the following table:

in EUR K	Share	Rendered deliveries and services		Received deliveries and services		Receivables from		Payables to	
		2016	2015	2016	2015	2016	2015	2016	2015
Inotec GmbH, Waldshut-Tiengen/Ger	45%	38	22	1,679	1,551	615	404	235	188
STO Management SE		354	347	1,731	1,891	141	138	2,307	2,631
Stotmeister Beteiligungs GmbH		0	0	19	12	0	0	25,019	10,012
Other related persons		0	0	0	0	0	0	0	0

Payables to Stotmeister Beteiligungs GmbH were taken on with a running period of 2 months or 4 months, at an interest rate of 0.6 % and without provision of collateral.

10. Events following the conclusion of the reporting period

On 1 July 2016, 100 % of the equity shares and voting rights of Hesselberg Bygg AS, based in Moss, Norway were acquired and control therefore obtained. The Hesselberg Group, consisting of the parent company Hesselberg Bygg AS, the 100 % subsidiary Hesselberg Sverige AB based in Helsingborg, Sweden, and the 95 % subsidiary UAB TECH-COAT based in Vilnius, Lithuania are therefore part of the companies consolidated of this consolidated financial statement on 1 July 2016.

Hesselberg Bygg AS is one of Scandinavia's leading manufacturers of reaction resin floor coatings used for industrial buildings, public and exterior areas, and for decorative purposes. Hesselberg Bygg has many years' manufacturing expertise and offers appealing ranges especially for the food industry, for outdoor use, and for decorative purposes, thus brilliantly complementing Sto's own floor coating range and corresponding know-how.

We expect synergy effects to result from the bundling of experience in the areas of development, production, and consultation, as well as an increase in attractiveness for investors, planners, and applicators. All activities will continue to be steered with the tried-and-tested team in the existing locations in the future.

In the first six months of 2016, transaction-related costs to the amount of EUR 53 K were included in other operating expenses. The outflow of cash and cash equivalents due to acquisition amounted to EUR 2,139 K.

At the time of acquisition the Hesselberg Group was employing 30 people. The turnover in 2015 amounted to NOK 90.4 million (consolidated), with an expected net profit for the year according to commercial law of around NOK 1.4 million.

Between the end of the reporting period and the point at which this report was signed off, there were no other events of particular note or with a significant impact on the earnings situation, the financial position, or the asset situation of the Sto Group.

Responsibility statement by the legal representatives

We confirm that to the best of our knowledge, the interim consolidated financial statement in accordance with the applicable accounting principles for interim reporting provides a true and fair view of the net assets, financial condition and result of operations of the Group in compliance with generally accepted accounting principles, and that the consolidated interim management report presents a true and fair view of business development, including the operating results and position of the Group, and that the principal opportunities and risks associated with the anticipated development of the Group throughout the remainder of the fiscal year are sufficiently described.

Stühlingen, 23 August 2016

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

Rainer Hüttenberger
(Spokesperson)

Michael Keller

Gerd Stotmeister

Rolf Wöhrle