

Sto SE & Co. KGaA, Stühlingen/Germany

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

For the period from 1 January to 30 June 2018

Overview of the first half of 2018

- **Currency effects dampen growth in the Sto Group**
 - **Consolidated turnover up by 1.1 % to EUR 624.5 million in the first six months**
 - **Group-wide turnover in Germany increases by 3.4 % to EUR 275.8 million; volume outside of Germany decreases slightly by 0.6 % to EUR 348.7 million**
 - **Continuing cost increases in procurement have a negative impact on earnings**
 - **Consolidated EBIT decreases by 27.5 % to EUR 23.2 million and earnings before tax (EBT) by 26.4 % to EUR 22.9 million**
 - **Number of employees in the Group up by 51 to 5,381 employees as compared to mid-year 2017**
 - **Outlook for the year 2018 as a whole unchanged: increase in turnover of 4.4 % to around EUR 1,333 million and EBIT of between EUR 80 million and EUR 90 million expected**
-

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated interim management report for the first half of 2018

Business and general conditions

The company

Sto SE & Co. KGaA specialises in products and systems for building coatings and is one of the most important global manufacturers in this industrial sector. The product range is divided into four product groups: the core business of **facade systems** encompasses external wall insulation systems (EWIS), a segment in which our company occupies a leading position worldwide, and rainscreen cladding facade systems (RSC). In 2017, this product group accounted for 47.1 % of total Group turnover. **Facade coatings**, which include external render and paint systems, accounted for 24.1 % of the annual turnover, and **products for interiors**, such as plaster and paint systems optimised for home and office interiors, decorative coatings, interior claddings, and acoustic systems for regulating sound, reported a turnover share of 14.6 %. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair which are allocated to **Other product groups**.

There have been no changes to Sto's Group structure, management system, or strategy in the first half of 2018. They are described in detail in the 2017 Annual Report, which is available for download at www.sto.de in the section "Investor Relations" under "Unternehmen" (company). It can also be requested from Sto SE & Co. KGaA.

Overview of business development in the first half of 2018 and general statement by the Executive Board

In the second quarter of 2018, Sto SE & Co. KGaA was able to compensate for the weather-related declines in turnover recorded until the end of March and achieve a total growth in turnover of 1.1 % to EUR 624.5 million in the first six months. However, the increase was diminished by the significant negative currency translation effects in the reporting period which amounted to a total of EUR -11.9 million. Adjusted for these effects, this results in an increase in turnover of 3.1 % as compared to the 2017 reference period.

Within the product group of facade systems, a further rise in demand for external wall insulation systems was offset by declining sales of facade coatings, particularly in the USA and China. In the other product groups, especially floor coatings, Sto mainly recorded growth.

The continuing cost increases in procurement significantly impacted the development of earnings in the first half of 2018. The partially substantial increases have not yet been compensated for by the adjustment of sales prices in the reporting period. This resulted in a noticeable decrease in the Sto Group's gross profit margin. Compared to the same period the previous year, earnings before interest and taxes (EBIT) fell by 27.5 % to EUR 23.2 million, earnings before tax (EBT) by 26.4 % to EUR 22.9 million, and net earnings in the Group by 24.9 % to EUR 15.7 million.

Where 2018 as a whole is concerned, the Executive Board continues to assume that the turnover and earnings targets will be reached and reconfirms its forecasts made to date.

Economic conditions

Overall economy

After a predominantly positive start to the year, the global economy cooled off somewhat until mid-2018, according to the International Monetary Fund (IMF). However, there were regional differences: The US economy, supported by a pro-cyclical fiscal and trade policy, experienced a sound development, while growth momentum in Europe slowed noticeably. According to the IMF, in addition to weaker economic data in large economies such as Great Britain and other member states of the euro zone that are disconcerted by the Brexit, political uncertainties were primarily responsible for this development. The experts believe the current trade conflict to pose the greatest short-term risk to the global economy as it could affect further development in all major economies. The pace of expansion also slowed down in Germany. According to the Federal Statistical Office, the adjusted gross domestic product in the first three months of 2018 was only 0.3 % higher than growth in the fourth quarter of 2017.

International construction industry

The construction industry in **Europe** has lost some of its momentum in the course of 2018 to date. According to Eurostat estimates, production in the European construction industry fell by 0.2 % in the first quarter of 2018 compared with the previous quarter, which was also due to the effects of the weather. During this period, the building construction sector grew slightly by 0.1 %, while the civil engineering sector diminished by 1.4 %. In April and May, the construction industry in the euro zone grew by 1.4 % and 0.3 % compared to the respective previous month.

The **German construction industry** remained on course for growth in 2018: According to the German Construction Industry Association (Hauptverband der Deutschen Bauindustrie), both turnover and incoming orders in the main construction sector increased by 7.5 % in the first five months of 2018 as compared to the same

period the previous year. New residential construction continues to be the driving force behind the strong demand. By the end of May, the number of building permits in Germany had increased by 3.8 % (excluding dormitories). Growth of 8.3 % was recorded in the construction of multi-family houses, while a decline of 2.1 % and 2.3 % was recorded in the construction of single-family and two-family houses respectively.

In the **USA**, the long-standing upswing in the construction industry also continued in the first half of 2018. According to GTAI (Germany Trade & Invest), population growth, the rising number of private households, income growth, and the continuing good economy as a whole are generating growth.

According to GTAI, **China** continued to experience a particularly strong demand for residential property, although prices rose significantly. In addition, there is a growing need to renovate existing buildings. Many residential buildings are in great need of renovation. Starting from a very low level, the demand for refurbishment is showing an upward trend.

Earnings, finance and asset situation of the Sto Group

Consolidated turnover up by 1.1 %

In the first six months of 2018, the **consolidated turnover** of Sto SE & Co. KGaA increased by 1.1 % to EUR 624.5 million (previous year: EUR 617.5 million). The organic growth was reduced considerably by the negative influences from currency translations. They amounted to a total of EUR -11.9 million in the Sto Group. The appreciation of the euro against the US dollar, Swiss franc, and the Swedish krona was particularly noticeable. Adjusted for this effect, turnover increased by 3.1 %.

In **Germany**, the Sto Group achieved a Group-wide increase of 3.4 % to EUR 275.8 million (previous year: EUR 266.8 million) in the reporting period.

Outside of Germany turnover decreased by 0.6 % to EUR 348.7 million (previous year: EUR 350.7 million). The percentage of Group turnover generated abroad amounted to 55.8 % in the first two quarters as compared to 56.8 % in the same period in 2017.

Despite the extreme summer heat that had hit some markets and despite continuing negative effects from currency translations, business development in **July 2018** was in line with expectations.

Turnover trend across the segments

By the middle of the year, the region of **Western Europe** – including Germany – had been able to fully compensate for the weather-related losses in the first quarter of 2018. These losses were mainly due to the onset of winter in March and, in some cases, led to strong declines. However, this growth was also offset by weak developments in France, for example. On the whole, segment turnover increased by 2.2 % to EUR 480.1 million (previous year: EUR 470.0 million) until the end of June 2018.

An increase of 3.7 % to EUR 72.5 million (previous year: EUR 69.9 million) was achieved in the sub-segment of **Northern/Eastern Europe** with the development differing largely from country to country. The Northern European subsidiaries, particularly Sweden, were affected by negative foreign currency effects in the first six months of 2018.

Overall, the region of **America/Asia** experienced weak business in the reporting period. In this region, the restrained operating performance was also reinforced by currency losses, particularly in the dollar zone. In a comparison of the half-year figures, this sub-segment reported a decline in turnover of 7.4 % to EUR 71.9 million (previous year: EUR 77.6 million).

Decline in consolidated earnings

In the first six months of 2018, the Sto Group's **total revenues** improved by 1.0 % to EUR 628.7 million (previous year: EUR 622.3 million). This development was virtually in line with the development of turnover. **Material costs** rose significantly in the reporting period: Procurement costs for raw materials and purchased goods, which had already begun to increase considerably in 2017, continued to rise. This item hence grew by a total of 4.7 % to EUR 292.3 million (previous year: EUR 279.2 million). In order to compensate for the ongoing cost pressure in purchasing, sales price increases were a particular focus of the sales force in the first half of 2018. For example, on 1 June 2018, the prices were raised for a second time this calendar year in the German market of Sto SE & Co. KGaA. However, these increases have not yet had a sufficient effect so that the gross margin rate of the Sto Group declined noticeably from 54.8 % in the previous year to 53.2 %.

Due to increases related to collective labour agreements and the moderate rise in the number of employees, **personnel costs** amounted to EUR 173.3 million in the first two quarters of 2018 and were hence 1.5 % higher than in the previous year (previous year: EUR 170.8 million).

The balance of **other operating income** and **other operating expenses** slightly improved from EUR -124.7 million to EUR -124.2 million. **Depreciation and amortisation** of Intangible assets as well as Property, plant and equipment amounted to EUR 15.7 million and hence remained more or less at the level of 2017 (previous year: EUR 15.6 million).

In total, **consolidated earnings before interest and taxes (EBIT)** decreased by 27.5 % to EUR 23.2 million (previous year: EUR 32.0 million) as compared to the first half of the previous year. The financial result improved from EUR -0.9 million in the same half-year of the previous year to EUR -0.3 million. For the first six months of 2018, this resulted in **earnings before tax (EBT)** of EUR 22.9 million (previous year: EUR 31.1 million). After taxes, **net earnings** decreased by 24.9 % to EUR 15.7 million

(previous year: EUR 20.9 million). At the end of June 2018, the profit per limited preference share stood at EUR 2.56 (previous year: EUR 3.30) and at EUR 2.50 per limited ordinary share (previous year: EUR 3.24).

Earnings trend across the segments

As at the end of June 2018, EBIT in the Western Europe segment amounted to EUR 25.3 million after EUR 28.3 million the previous year. In the region of Northern/Eastern Europe, earnings decreased from EUR 1.4 million to EUR -1.7 million, and in America/Asia from EUR 2.9 million to EUR 0.4 million in a comparison of the half-year figures.

Liquidity movements

Due to the seasonal nature of its operating business, the Sto Group usually reports a negative **cash flow from operating activities** in the first half of the year. A total outflow of EUR 33.5 million was recorded until the end of June 2018, compared to EUR 26.5 million in the first half of 2017. In addition to the lower profit for the period, the change in provisions, which fell by EUR 4.4 million in the reporting period (previous year: EUR +4.3 million), and higher income tax payments as of the reporting date were particularly noticeable. In contrast, compared to the first half of 2017, capital tied up in net current assets decreased by EUR 12.4 million to EUR 57.2 million.

Cash flow from investment activities amounted to EUR 15.7 million (previous year: EUR 18.3 million) after six months. In comparison to the previous year, investments in Property, plant, and equipment as well as Intangible assets rose from EUR 11.2 million to EUR 13.1 million. Furthermore, during the first half of 2018, funds amounting to EUR 30.1 million (previous year: EUR 43.9 million) became available after the end of the period, and a sum of EUR 1.8 million was reinvested (previous year: EUR 15.0 million). Cash flow from investment activities adjusted for these deposits and disbursements for financial investments amounted to EUR -12.6 million (previous year: EUR -10.6 million).

As at the middle of 2018, **cash flow from financing activities** amounted to EUR -23.0 million (previous year: EUR -19.4 million), with dividend distribution to the shareholders accounting for EUR 26.0 million (previous year: EUR 21.0 million). This was offset by higher payments received for current financial borrowings which totalled EUR 3.5 million (previous year: EUR 2.0 million).

Financial resources as at 30 June 2018 came to EUR 43.7 million (previous year: EUR 41.3 million). This takes into account an amount of EUR 0.1 million (previous year: EUR -1.1 million) resulting from the exchange-rate related changes as well as impairment of expected losses on cash and cash equivalents in accordance with the rules stipulated in IFRS 9 that are to be applied for the first time in 2018. As compared to the end of 2017, cash and cash equivalents dropped by EUR 40.7 million (previous year: EUR 28.7 million) due to the seasonal nature of business.

Slight decrease in investments

During the first half of 2018, the Sto Group's **investments in Property, plant and equipment as well as Intangible assets** were increased to EUR 13.1 million. Compared to the previous year's value of EUR 11.2 million, this corresponds to an increase of 17.0 %. A large part of the expenditure was used for the planned expansion of the distribution network, which was driven forward in the reporting period, above all in Austria and Germany. In addition, Sto invested in replacement and expansion projects to a customary extent until the end of June.

Sound asset situation

The **consolidated balance sheet** of Sto SE & Co. KGaA witnessed an increase of 3.3 % to EUR 774.4 million as compared to the 2017 year-end (31 Dec 2017: EUR 749.6 million). The majority of the changes as at 30 June 2018 are due to the seasonal nature of business activities. **Within non-current assets**, which, in total, decreased slightly by 0.7 % to EUR 334.6 million (31 Dec 2017: EUR 336.8 million), fixed assets declined by 0.9 % to EUR 311.6 million (31 Dec 2017: EUR 314.4 million).

As at the reference date, EUR 251.3 million of that amount were attributable to Property, plant and equipment (31 Dec 2017: EUR 254.3 million), EUR 48.7 million to Intangible assets (31 Dec 2017: EUR 49.1 million) and EUR 11.6 million to financial assets accounted for using the equity method (previous year: EUR 11.0 million). Among the other non-current assets – which increased by 3.1 % to EUR 23.1 million (31 Dec 2017: EUR 22.4 million) – it was the higher deferred tax assets that had the largest impact, rising from EUR 19.6 million to EUR 20.7 million.

Year-on-year, total **current assets** increased by 6.5 % to EUR 439.8 million (31 Dec 2017: EUR 412.8 million). Standing at EUR 115.5 million, inventories were EUR 18.8 million higher than the 2017 year-end figure of EUR 96.7 million. In addition to seasonal causes, the strategic stocking of materials for which the procurement prices are expected to continue to rise had a noticeable effect. Current trade receivable also rose significantly from EUR 125.0 million to EUR 211.4 million. By contrast, current financial assets in the Sto Group decreased by EUR 31.2 million to EUR 45.3 million and cash and cash equivalents by EUR 40.7 million to EUR 43.7 million as at the end of June. This was due to the seasonally higher financing requirements for ongoing business.

On the **liabilities side**, **equity** in the Group totalled EUR 438.9 million as at 30 June 2018, hence taking it 2.5 % below the 2017 year-end value (31 Dec 2017: EUR 450.1 million). On the reference date, the **equity ratio** stood at 56.7 % (31 Dec 2017: 60.1 %).

Total **non-current provisions and liabilities** slightly rose by 1.4 % to EUR 120.3 million in the first six months of 2018 (31 Dec 2017: EUR 118.7 million). Post-employment benefit provisions also saw a moderate increase by EUR 1.3 million to EUR 100.4 million (31 Dec 2017: EUR 99.1 million). Meanwhile, **current provisions and liabilities** increased by EUR 34.5 million to EUR 215.2 million (31 Dec 2017: EUR 180.7 million) for seasonal reasons. Trade payables increased by EUR 30.3 million to EUR 76.3 million (31 Dec 2017: EUR 46.0 million) and other current liabilities

by EUR 23.8 million to EUR 69.1 million (31 Dec 2017: EUR 45.3 million). Current financial liabilities were reduced by EUR 18.0 million to EUR 10.5 million (31 Dec 2017: EUR 28.5 million).

On the reference date, current and non-current financial borrowings in the Sto Group amounted to EUR 15.2 million (31 Dec 2017: EUR 11.8 million). Taking into account cash stocks at the mid-year point, this resulted in **net financial assets** of EUR 28.5 million (31 Dec 2017: EUR 72.6 million).

Employees

Slight increase in workforce abroad

As at the end of June 2018, the Sto Group had 5,381 employees worldwide as compared to 5,308 at the 2017 year-end (+73 employees; +1.4 %) and compared to 5,330 employees on the same day of the previous year (+51 employees; +1.0 %). In Germany, the number of employees had gone down by 9 to 2,854 (previous year: 2,863) since 30 June 2017. While the number of positions at Sto SE & Co. KGaA's German locations was reduced by 34 as part of the New Balance programme, the number of employees at German subsidiaries was increased. Especially the Verotec location in Lauingen/Germany, which had been significantly expanded in 2017, recorded a higher number of employees year-on-year.

As compared to 30 June 2017, the number of employees working for Sto outside of Germany rose by 60 to 2,527 (previous year: 2,467). Targeted restructuring measures in regions battling difficult economic conditions were contrasted with new appointments in countries with short and medium-term growth prospects. The percentage of the Group's workforce employed abroad increased from 46.3 % to 47.0 %.

At the middle of 2018, a total of 4,092 employees were working for Sto in Western Europe (incl. Germany), 682 in the sub-segment of Northern/Eastern Europe, and 607 in America/Asia.

Sustainability report

Sto is committed to sustainable and responsible corporate governance that meets the needs of all stakeholders affected by our actions. Detailed information on this topic can be found in our 2017 Annual Report, which can be downloaded from our website.

Risks and opportunities report

The risks and opportunities situation for the Group has not changed significantly since the end of 2017. 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 2017 Group management report. At present, no appreciable risks are apparent that could have a permanent and significant adverse effect on the earnings, financial and asset situation of the Sto Group.

Outlook report

Global economy

According to IMF (International Monetary Fund) forecasts, the **global economy** is set to grow by 3.9 % in 2018. However, in its latest economic update from July, the IMF estimates the risks for expansion to be significantly higher than in April. The introduction of punitive tariffs and the risk of a further escalation of trade disputes, geopolitical risks and increasing political uncertainties could curb the already increasingly disparate development in the various countries.

For the industrialised nations, the IMF expects an overall increase of 2.4 % in the current year, with prospects in the USA being better than in the euro zone and Japan. In Germany, the federal government expects the GDP to increase by 2.4 %. An increase of 4.9 % is expected in the developing and emerging countries, with continued high growth rates in India and China.

International construction industry

In **Europe**, the upturn in the construction sector is expected to lose some of its momentum over the next few years, with development in the individual countries differing considerably in some cases. Overall, the experts of the EUROCONSTRUCT network expect the European construction volume to increase by 2.7 % in 2018. Compared to the strong increase of 3.9 % in the previous year, the pace of growth will thus slow down noticeably. Residential construction, which has been the main driving force behind construction activity in Europe for the last two years, is expected to grow by around 5 % in 2018. Building activities are also expected to increase to grow in non-residential construction and in the civil engineering sector.

Despite the generally unfavourable weather conditions at the beginning of the year, the construction industry in **Germany** continues to expand: The German Construction Industry Association raised its forecast for sector turnover in 2018 from +4 % to +6 %. In residential construction, including modernisations, turnover is expected to increase by 7 % nominally. A 6 % growth is anticipated in public construction and a 5 % growth in commercial construction.

The upward trend in the **US construction industry** is also expected to continue in 2018. According to estimates by FMI, a corporate consultancy firm specialising in the construction industry, construction investments in the USA will increase by 5 % in the current year. Residential construction remains the largest area of business in building construction, and investments are expected to increase by 6 % in 2018. However, the rate of growth in new construction could be adversely affected, among other things, by higher mortgage interest rates and the restriction on tax incentives for real estate ownership associated with the tax reform in the USA. An increase of about 5 % is forecast for office, commercial and industrial buildings.

In **China**, the positive trend is also expected to continue despite government measures to curb the price of newly-constructed apartments. This is based on the optimistic overall economic mood and the large number of projects started in 2017.

According to GTAI, construction projects in progress (in square meters) increased by 7.0 % in the previous year. Industry representatives expect similar growth in 2018.

Sto: Outlook for 2018 as a whole unchanged

For the year as a whole, Sto continues to expect to achieve the growth rates projected so far. This means that **consolidated turnover** is to increase by 4.4 % to EUR 1,333 million in 2018. **EBIT** is expected to fall between EUR 80 million and EUR 90 million, and **EBT** between EUR 78 million and EUR 88 million. This corresponds to a **return on sales** of between 5.9 % and 6.6 %. Sto expects the **ROCE** (Return on Capital Employed) figure to reach between 14.9 % and 16.8 %.

A key challenge in achieving the forecast range of earnings is the implementation of the initiated sales price increases in all sales organisations of the Sto Group. This is to compensate for the cost increases on the procurement side, which have been more pronounced so far this year than assumed at the time of planning. Furthermore, it is difficult to safely predict the weather conditions, which have a significant impact on the company's turnover and earnings trends.

In addition, there are uncertainties regarding the further development of the global economy. Above all, trade differences and increasingly protectionist tendencies are endangering the currently predominantly positive economic outlook in the regions important for Sto. In Germany, additional uncertainties arise from the still unclear focus of the German government with regard to implementing climate protection measures and promoting energy savings.

Despite these risks, Sto expects a further increase in business volume in the core areas of facade systems due to the objective advantages that the energy-efficient insulation of houses offers. There is still great sales potential for EWIS worldwide, and the wide and diverse range of products that Sto has on offer meets the very highest demands on quality, insulating performance, ecology, cost-effectiveness, fire protection, durability, and design freedom.

Sto also remains in a very competitive position in the other product areas and hence expects to see a growth in business volume in 2018.

Stühlingen/Germany, August 2018

Sto SE & Co. KGaA

represented by STO Management SE

The Executive Board

Sto SE & Co. KGaA, Stühlingen/Germany
Condensed consolidated statement of profit and loss
For the period from 1 January to 30 June 2018

	30 June 2018	30 June 2017
	EUR	EUR K
1. Revenues	624.507.200,33	617.509
2. Changes in product inventories	4.233.576,11	4.779
3. Other internally generated assets capitalised	0,00	16
Total revenues	628.740.776,44	622.304
4. Other operating income	6.644.301,64	7.027
5. Cost of materials	-292.287.907,81	-279.184
6. Personnel expenditure	-173.321.097,86	-170.840
7. Other operating expenses	-130.868.913,17	-131.730
EBITDA	38.907.159,24	47.577
8. Depreciation and amortisation of intangible assets as well as property, plant and equipment	-15.666.288,69	-15.583
EBIT (earnings before interest and taxes)	23.240.870,55	31.994
9. Financial income	-346.968,58	-880
EBT (earnings before taxes)	22.893.901,97	31.114
10. Taxes on income earnings	-7.216.157,90	-10.174
EAT (earnings after taxes)	15.677.744,07	20.940
<i>of which:</i>		
Share of minority interests	-511.209,31	-11
Share attributable to the shareholders of Sto SE & Co. KGaA	16.188.953,38	20.951
<i>Earnings per share basic/diluted in EUR</i>		
Ordinary share	2,50	3,24
Preference share	2,56	3,30

Sto SE & Co. KGaA, Stühlingen/Germany
 Consolidated statement of comprehensive income
 For the period from 1 January to 30 June 2018

	30 June 2018 EUR	30 June 2017 EUR K
EAT (earnings after taxes)	15.677.744,07	20.940
Currency translation		
<i>Currency translation differences</i>	-793.379,05	-4.340
<i>Deferred taxes</i>	0,00	0
Currency translation differences after taxes	-793.379,05	-4.340
Earnings to be reclassified in the statement of profit and loss in future periods	-793.379,05	-4.340
Actuarial gains or losses		
<i>Actuarial gains or losses</i>	0,00	0
<i>Deferred taxes</i>	0,00	0
Earnings not to be reclassified in the statement of profit and loss in future periods	0,00	0
Other earnings (after taxes)	-793.379,05	-4.340
Overall earnings after taxes	14.884.365,02	16.600
<i>of which:</i>		
<i>Share of minority interests</i>	-511.209,31	-11
<i>Share attributable to the shareholders of Sto SE & Co. KGaA</i>	15.395.574,33	16.611

Sto SE & Co. KGaA, Stühlingen/Germany
 Consolidated statement of financial position as at 30 June 2018

ASSETS	30 June 2018 EUR	31 Dec 2017 EUR K	LIABILITIES	30 June 2018 EUR	31 Dec 2017 EUR K
A. NON-CURRENT ASSETS			A. EQUITY CAPITAL		
I. Intangible assets	48.655.790,85	49.087	I. Subscribed capital	17.556.480,00	17.556
II. Property, plant and equipment	251.348.056,23	254.297	II. Capital reserves	57.803.590,41	57.804
III. Financial assets accounted for using the equity method	11.553.200,00	11.020	III. Revenue reserves and other reserves	356.287.350,21	367.007
Fixed assets	311.557.047,08	314.404	Share attributable to the shareholders of Sto SE & Co. KGaA	431.647.420,62	442.367
IV. Non-current trade receivables	981.833,51	1.208	IV. Share of minority interests	7.263.359,89	7.777
V. Non-current income tax receivables	0,00	0	TOTAL EQUITY CAPITAL	438.910.780,51	450.144
VI. Non-current financial assets	1.170.348,81	1.175	B. NON-CURRENT PROVISIONS AND LIABILITIES		
VII. Other non-current assets	244.797,01	416	I. Provisions for post-employment benefits and similar liabilities	100.412.292,68	99.094
VIII. Deferred tax assets	20.666.710,18	19.580	II. Deferred tax liabilities	2.557.902,04	2.289
Other non-current assets	23.063.689,51	22.379	III. Other non-current provisions	14.947.702,09	14.625
TOTAL NON-CURRENT ASSETS	334.620.736,59	336.783	IV. Non-current borrowings	1.919.933,23	2.032
B. CURRENT ASSETS			V. Non-current trade payables	151.000,00	355
I. Inventories	115.513.941,88	96.740	VI. Non-current financial liabilities	316.000,00	316
II. Current trade receivables	211.413.470,24	124.978	VII. Other non-current liabilities	9.150,99	8
III. Current income tax receivables	6.230.628,14	2.552	TOTAL NON-CURRENT PROVISIONS AND LIABILITIES	120.313.981,03	118.719
IV. Current financial assets	45.293.274,04	76.454	C. CURRENT PROVISIONS AND LIABILITIES		
V. Other current assets	17.640.948,64	27.668	I. Other current provisions	42.829.317,06	48.888
VI. Cash and cash equivalents	43.706.659,91	84.422	II. Current borrowings	13.248.566,83	9.757
TOTAL CURRENT ASSETS	439.798.922,85	412.814	III. Current trade payables	76.285.479,70	46.035
			IV. Current income tax liabilities	3.251.479,05	2.240
			V. Current financial liabilities	10.468.395,92	28.472
			VI. Other current liabilities	69.111.659,34	45.342
			TOTAL CURRENT PROVISIONS AND LIABILITIES	215.194.897,90	180.734
			TOTAL DEBT CAPITAL	335.508.878,93	299.453
Total assets	774.419.659,44	749.597	Total assets	774.419.659,44	749.597

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 30 June 2018

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	Treasury stock			
Status as at 01 Jan 2017	17.556	57.804	380.402	11.521	-26.380	-23.055	417.848	7.373	425.220
EAT (earnings after taxes)	0	0	20.951	0	0	0	20.951	-11	20.940
Other earnings (after taxes)	0	0	0	-4.340	0	0	-4.340	0	-4.340
Income and expenses recognised	0	0	20.951	-4.340	0	0	16.611	-11	16.600
Dividend payout	0	0	-21.037	0	0	0	-21.037	0	-21.037
Deposit by associates	0	0	0	0	0	0	0	0	0
Status as at 30 June 2017	17.556	57.804	380.316	7.181	-26.380	-23.055	413.422	7.361	420.783
Status as at 01 Jan 2018	17.556	57.804	414.829	4.679	-29.513	-23.055	442.300	7.778	450.077
EAT (earnings after taxes)	0	0	16.189	0	0	0	16.189	-511	15.678
Other earnings (after taxes)	0	0	0	-793	0	0	-793	0	-793
Income and expenses recognised	0	0	16.189	-793	0	0	15.396	-511	14.885
Dividend payout	0	0	-26.049	0	0	0	-26.049	-3	-26.052
Deposit by associates	0	0	0	0	0	0	0	0	0
Status as at 30 June 2018	17.556	57.804	404.969	3.886	-29.513	-23.055	431.647	7.264	438.910

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated cash flow statement
For the period from 1 January to 30 June 2018

	30 June 2018	30 June 2017
	EUR K	EUR K
1. Cash flow from operating activities		
Earnings before income taxes	22.894	31.114
Depreciation of fixed assets	15.666	15.583
Earnings from the disposal of fixed assets	-120	-211
Earnings from measurement at equity	-533	0
Net interest income/expense and other net financial income/expense	804	880
Income taxes paid	-10.709	-8.581
Change in provisions	-4.418	4.285
Change in net current assets	-57.125	-69.580
Cash flow from operating activities	-33.541	-26.510
2. Cash flow from investment activities		
Investment in property, plant and equipment, and Intangible assets	-13.054	-11.161
Payments received from the disposal of intangible assets and Property, plant and equipment	249	296
Interest payment received	330	241
Disbursements for financial investments	-1.835	-15.000
Deposits from financial investments	30.057	43.928
Cash flow from investment activities	15.747	18.304
3. Cash flow from financing activities		
Payments for non-current borrowings	-42	-52
Payments for current borrowings	-90	0
Payments received for current borrowings	3.512	2.007
Dividend distribution	-26.049	-21.037
Interest payments	-314	-361
Cash flow from financing activities	-22.983	-19.443
Change in cash and cash equivalents from changes in exchange rates as well as from impairment due to expected losses on cash and cash equivalents in accordance with IFRS 9	62	-1.079
Cash and cash equivalents at beginning of period	84.422	70.071
Change in cash and cash equivalents	-40.715	-28.728
Cash and cash equivalents at the end of period	43.707	41.343

Sto SE & Co. KGaA, Stühlingen/Germany
 Consolidated segment reporting
 For the period from 1 January to 30 June 2018

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

For the period from 1 January to 30 June 2018	Western Europe	Other Northern / Eastern Europe	America / Asia	Transitional / consolidation entries	Group
External revenues	480.142	72.458	71.907	0	624.507
Inter-segment revenues	20.370	818	23	-21.211	0
Segment revenues	500.511	73.277	71.930	-21.211	624.507
EBITDA	37.917	-344	2.036	-701	38.907
Depreciation/amortisation	12.613	1.372	1.682	0	15.666
EBIT (earnings before interest and taxes)	25.304	-1.716	354	-701	23.241
EBT (earnings before taxes)	24.304	-1.749	507	-168	22.894
Investments	10.904	907	1.240	0	13.052
Staff on balance sheet date	4.092	682	607	0	5.381

Period from 1 January to 30 June 2017	Western Europe	Other Northern / Eastern Europe	America / Asia	Transitional / consolidation entries	Group
External revenues	469.990	69.934	77.585	0	617.509
Inter-segment revenues	19.302	464	16	-19.782	0
Segment revenues	489.292	70.398	77.601	-19.782	617.509
EBITDA	40.782	2.774	4.555	-534	47.577
Depreciation/amortisation	12.489	1.411	1.683	0	15.583
EBIT (earnings before interest and taxes)	28.293	1.363	2.872	-534	31.994
EBT (earnings before taxes)	27.253	1.334	3.060	-534	31.114
Investments	9.672	524	965	0	11.161
Staff on balance sheet date	4.064	664	602	0	5.330

Sto SE & Co. KGaA, Stühlingen/Germany**Notes to the condensed consolidated interim financial statement for the period from 1 January to 30 June 2018****1. Basis of preparation**

Sto SE & Co. KGaA prepared its consolidated financial statement for the 2017 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). Consequently, this interim financial statement as at 30 June 2018 has also 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 assessed in conjunction with the consolidated financial statement as at 31 December 2017.

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

The release for publication was granted by the personally liable partner STO Management SE on 27 August 2018.

2. Accounting and measurement principles

In order to draw up the condensed consolidated interim financial statement, the accounting methods applicable until 31 December 2017 for the consolidated annual financial statement, with the exception of the standards and interpretations that became applicable on 1 January 2018, were adopted unchanged. A detailed description of these accounting policies was published in the Notes to the 2017 consolidated financial statement.

IFRS 9 "Financial Instruments"

In July 2014, the IASB published the final version of IFRS 9 "Financial Instruments", which replaces IAS 39 "Financial Instruments: Recognition and measurement".

The new standard was adopted by the European Union on 29 November 2016 and applied by Sto for the first time on 1 January 2018. In particular, IFRS 9 "Financial Instruments" contains new regulations on the classification and measurement of financial assets, material changes to the recognition of impairments of certain financial assets as well as revised regulations on the recognition of hedge relationships. In future, impairment on financial assets not measured at fair value through profit or loss must also be recognised in the amount of the expected losses. These are to be determined depending on the default risk of the respective counterparty and, if necessary, its development. At Sto, the recognition of impairment due to expected losses has a particular impact on the valuation of Trade receivables and Financial assets. The credit risk is assessed on the basis of internal information as well as external rating information regarding the respective counterparty. In the case of receivables from banks, the expected credit losses are determined primarily on the basis of default probabilities derived from credit default swaps of the counterparty.

At Sto, the first-time application of IFRS 9 is carried out in accordance with the modified retrospective method without the adjustment of comparative information from previous periods, which continues to be presented in accordance with IAS 39. The conversion effects resulting from IFRS 9 were recognised cumulatively in equity at the time of initial application. The following table shows the effects of the first-time application of IFRS 9:

**First-time application effects of IFRS 9 on equity
in EUR K**

Effects on revenue reserves	
Revenue reserves and net income as at 31 December 2017 (before the introduction of IFRS 9)	414.896
Changes in cash and cash equivalents	-194
Changes in financial investments	-165
Changes in other financial assets	-14
Changes in value adjustments to trade receivables	280
Deferred taxes on first-time application effects	26
Revenue reserves and balance sheet profit as at 1 January 2018 (after the introduction of IFRS 9)	414.829

IFRS 15 "Revenue from Contracts with Customers"

On 28 May 2014, the IASB published IFRS 15, the new standard for turnover recognition. In the third quarter of 2016, the European Union incorporated it into European law. The new standard is to be applied for fiscal years beginning on or after 1 January 2018.

At Sto, IFRS 15 was applied for the first time as of 1 January 2018 in accordance with the modified retrospective method without adjusting comparative information from previous periods. Due to the low number of existing, separately identifiable performance liabilities with an effect beyond the balance sheet date, this did not have any substantial effects on the net assets, financial, and earnings situation of the Group.

In the consolidated interim financial statement, discount rates for post-employment benefit provisions of 1.75 % (31 December 2017: 1.75 %) were used for companies with the euro as their functional currency. The adjustment of the post-employment benefit provision was carried out on 31 December 2017 and took into account the actuarial sensitivity. For companies with a different functional currency, the discount rate was 0.65 % (31 December 2017: 0.65 %).

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 annual financial statement includes Sto SE & Co. KGaA, the national and foreign subsidiaries, joint ventures, and associated companies.

During the evaluation of 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 case of subsidiaries, 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. In the present consolidated financial statement, this is the case for shareholdings of more than 50 % without exception. In case of fully consolidated companies where less than 50 % of capital shares are held, control was assured via further contractual agreements.

4. Seasonal influences on business activities

Owing to the seasonal fluctuations in the building industry, higher sales revenue and higher earnings before interest and taxes (EBIT) than those achieved in the first half of the year are normally expected in the second half of the year. The generally higher turnover in the months of May to October as compared to November to April is mainly due to more favourable weather conditions.

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 the issued shares, diluted earnings per share also include potential shares (e.g. from options). Both at 30 June 2018 and 30 June 2017, there were no potential shares. This means that basic and diluted earnings per share have been identical in both years.

In the first half of 2018, a dividend of EUR 0.25 as well as an extra dividend of EUR 3.78 per limited ordinary share, and a dividend of EUR 0.31 as well as an extra dividend of EUR 3.78 per limited preference share, were distributed for the 2017 fiscal year. This corresponds to a total dividend payout amount of EUR 26,049 K. The dividend was paid out on 26 June 2018 in accordance with the resolution of the Annual General Meeting of 21 June 2018.

6. Intangible assets, and Property, plant and, equipment

In the period from 1 January to 30 June 2018, the Sto Group acquired assets at acquisition costs of EUR 13,052 K (first half of 2017: EUR 11,161 K). In the same period, the Group sold assets with a carrying amount of EUR 86 K (first half of 2017: EUR 126 K).

7. Information on fair value

The principles and methods for measurement at fair value remain unchanged 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 measurement methods in which the influential factors are derived either directly or indirectly from observable market data. The derivatives are currency hedges only. They are measured based on the observable exchange rates, interest structure curves as well as the basic spreads between the currencies.

Level 3

The measurement is effected using measurement 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 the levels.

Assets and liabilities accounted for at fair value with an impact on profit and loss exclusively contain derivative financial instruments or currency forwards which are not included in hedge accounting.

The following table shows carrying amounts and fair values of financial instruments as at 30 June 2018:

in EUR K	Carrying amount 30 June 2018	Fair value 30 June 2018
Financial assets		
Non-current		
Investments	49	49
Loans	652	652
Other financial assets	469	469
Non-current financial assets in total	1.170	1.170
Current		
Financial investments	43.525	43.525
Loans	59	59
Forward exchange contracts	265	265
Creditors with a debtor balance	261	261
Bonuses and credits	283	283
Other financial assets	900	900
Current financial assets in total	45.293	45.293
Total financial assets	46.463	46.463
Financial liabilities		
Non-current		
Borrowings	1.920	1.920
Other financial liabilities	467	467
Forward exchange contracts	0	0
Non-current financial liabilities	2.387	2.387
Current		
Borrowings	13.249	13.249
Forward exchange contracts	319	319
Other financial liabilities	10.152	10.152
Current financial liabilities in total	23.720	23.720
Total financial liabilities	26.107	26.107

The carrying amounts of cash and cash equivalents, receivables and liabilities from deliveries and services correspond mainly to the fair values due to their short terms. Interest rates have remained virtually 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 June 2017	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit and loss				
- Derivatives without hedge relationship	265	0	265	0
Financial assets measured at fair value	265	0	265	0
Financial liabilities measured at fair value through profit and loss				
- Derivatives without hedge relationship	319	0	319	0
Financial liabilities measured at fair value	319	0	319	0

8. Contingencies and contingent liabilities

As at 30 June 2018, liabilities for the acquisition of property, plant and equipment stood at EUR 7,213 K (30 June 2017: EUR 3,442 K). Other contingencies and contingent liabilities contained in the 2017 consolidated financial statement showed no appreciable changes as at 30 June 2018.

9. Related party disclosures

The volume of deliveries and services in the first half year between companies 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		Liabilities to	
		2018	2017	2018	2017	2018	2017	2018	2017
Inotec GmbH, Waldshut-Tiengen/Germany	47,5%	22	27	1.824	1.689	652	652	214	256
STO Management SE		350	365	1.579	1.593	75	88	1.568	1.238
Jonas GmbH, Wülfrath/Germany	49,8%	189	0	0	0	189	0	0	0

10. Events following the conclusion of the reporting period

Between the end of the reporting period and the point at which this report was signed off, there were no other events with a significant impact on the earnings, financial, and asset situation of the 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 earnings, financial and asset situation 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 over the remaining months of the 2018 fiscal year are sufficiently described.

Stühlingen/Germany, 27 August 2018

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



Rainer Hüttenberger
(Spokesman)



Michael Keller



Jan Nissen



Rolf Wöhrle