

## **Sto SE & Co. KGaA, Stühlingen/Germany**

### **Consolidated interim report from the Management Board within the first half of 2020**

#### **At a glance:**

- **In the first quarter of 2020, Sto benefits from favourable weather conditions and first-time consolidation effects**
- **Consolidated turnover up by 6.9 % to EUR 283.7 million**
- **Usual Q1 net loss reduced compared to the same period of the previous year**
- **Number of employees up by 213 to 5,633, primarily through expansion of the companies consolidated**
- **Outlook for the year of 2020 as a whole remains unchanged for the time being (without taking potential effects of the coronavirus pandemic into account): increase in turnover of 6.6 % to around EUR 1,490 million and EBIT of between EUR 93 million and EUR 103 million expected**

#### **Sector environment**

The prospects for the global economy have worsened considerably since the outbreak of the coronavirus pandemic, which has overshadowed all other influences. At present, it is not possible to make a reliable prediction of the economic consequences of the pandemic because of the high level of uncertainty regarding the further spread of the virus, the effectiveness of the measures taken by governments, and the macroeconomic extent of the consequences. In its current estimate from April 2020, the International Monetary Fund (IMF) expects a global recession in the current year, which will hit the euro zone particularly hard, where economic output is expected to shrink by 7.5 %. According to this forecast, the gross domestic product in Germany will decline by 7.0 %, in France by 7.2 %, in Italy by

9.1 % and in Spain by 8.0 %. A minus of 5.9 % is expected in the USA. In total, the IMF expects a decline of 6.1 % in the industrialised countries and of 1.0 % in the developing and emerging countries. The global economy is expected to shrink by 3.0 % in 2020. However, the IMF cautioned that the latest forecasts were still subject to extreme uncertainty due to the ongoing pandemic.

The German construction industry is also expecting considerable adverse effects in the current year as a result of the coronavirus pandemic. In April, the Hauptverband der Deutschen Bauindustrie (Federation of the German Construction Industry) revised its turnover forecast for 2020 and now assumes that, in the year of 2020 as a whole, the industry will only reach the turnover level of 2019. Until then, a plus of 5.5 % had been expected. In the first two months of 2020, a nominal increase in turnover of 12.6% was recorded compared to the same period of the previous year, with orders rising by 4.4% by the end of February. According to the federation, since the outbreak of the pandemic, companies have increasingly been reporting corona-related order cancellations, lack of tenders, and obstruction of construction activity.

### **Sto consolidated turnover up by 6.9 % on the previous year**

In the first quarter of 2020, consolidated turnover of Sto SE & Co. KGaA increased by 6.9 % to EUR 283.7 million as compared to the previous year's value (previous year: EUR 265.3 million), and was thus in line with our expectations with regard to the forecast for the year as a whole. This growth was mainly attributable to the positive weather conditions, especially in January, as well as the first-time consolidation effects. As compared to the same period the previous year, the Sto Group's companies consolidated grew by VIACOR Polymer GmbH, Rottenburg am Neckar/Germany, which has been consolidated since 1 January 2020, the Canadian Skyrise Prefab Building Solutions Inc., in which Sto has held a

majority share since May 2019, and Unitex Australia Pty Ltd, which was acquired with effect from 1 August 2019. In contrast, the companies consolidated no longer include the business operations of VeroStone GmbH, Eichstätt/Germany, which was sold on 31 December 2019 as part of an asset deal. Adjusted for first-time consolidation and currency translation effects, which amounted to EUR 7.4 million in total, the Sto Group saw an increase in turnover of 4.1 % in the reporting period.

In Germany, Sto achieved an increase in turnover of 16.4 % to EUR 130.7 million (previous year: EUR 112.3 million) by the end of March 2020, which was especially due to the favourable weather conditions as well as the first-time consolidation effect from the acquisition of shares in VIACOR Polymer GmbH. Outside of Germany, the volume amounted to EUR 153.0 million and was hence at the previous year's level. Some countries also benefited from the favourable weather conditions, while the corona-related shutdown already had a significant dampening effect, particularly in China. France, Spain and Italy also experienced the first, partially significant, effects of the pandemic in March. In the reporting period, positive currency translation effects were generated primarily by the US dollar and the Swiss franc, while the development of the Scandinavian currencies had an inhibiting effect. In comparison to same period of the previous year, the share of total Sto Group turnover generated abroad decreased from 57.7 % to 53.9 %. Divided into product areas, solid increases in turnover were achieved in the reporting period across the board.

Due to the drastic consequences of the coronavirus pandemic, business development in April 2020 was considerably below the previous year's figures and well below expectations, particularly regarding business outside of Germany.

### **Improved earnings**

Due to the distinct seasonal nature of the business activities, Sto does not usually generate positive consolidated earnings in the first few months of the year. A net loss was also recorded in the first quarter of 2020, although it was significantly lower than in the previous year. The gross margin rate was further improved, mainly through price decreases on the procurement side as well as product mix effects.

### **Investments at EUR 5.8 million**

In the first three months of 2020, Group-wide investments in Property, plant and equipment, as well as Intangible assets amounted to EUR 5.8 million (previous year: EUR 4.2 million) and were mainly attributable to replacement and extension investments. Furthermore, the planned measures regarding the expansion of the production capacity at our site in Villach/Austria, and the construction of a new logistics building for Südwest Lacke + Farben GmbH & Co. KG in Böhl-Iggelheim/Germany were initiated.

### **Sound asset situation**

The asset situation of the Sto Group continued to prove sound as at the end of March 2020. Changes in individual balance sheet items compared to the 2019 year-end fell within normal expectations and largely reflected the typical development of business in the first quarter.

### **Number of employees increased due to consolidations**

As at 31 March 2020, the Sto Group had 5,633 employees worldwide as compared to 5,420 on the same day of the previous year, and 5,333 at the 2019 year-end. The number of employees at the German locations increased by 63 to 2,997 as compared to the end of March 2019 (31 March 2019: 2,934). VIACOR Polymer GmbH, which was consolidated for the first time, had 55 employees as at the reference date. The increase of 150 to

2,636 employees outside of Germany (31 March 2019: 2,486) included 44 employees at the Canadian Skyrise Prefab Building Solution Inc. and 58 employees at Unitex Australia Pty Ltd. in Australia. In addition, there were isolated new appointments in countries with short- and medium-term growth prospects, while the number of employees was adjusted selectively in regions battling difficult economic conditions. The percentage of the Group's workforce employed outside of Germany increased to 46.8 % (31 March 2019: 45.9 %) as at 31 March 2020.

### **Outlook for the year of 2020 as a whole remains unchanged for the time being**

The extreme uncertainty surrounding the coronavirus pandemic and its extraordinarily dynamic development make reliable estimates of the Group's further business development impossible. Without taking into account the effects of the pandemic, Sto continues to expect an increase in turnover of 6.6 % to EUR 1,490 million for 2020 as a whole. The EBIT figure is expected to fall between EUR 93 million and EUR 103 million. The risks and opportunities for the Sto Group, which have not changed significantly since the preparation of the 2019 consolidated annual financial statement, are described in detail in the 2019 Annual Report.

Stühlingen/Germany, May 2020

The Executive Board

### Key figures (in EUR million)

<b>Sto Group (IFRS)</b>	<b>Q1 2020 EUR million</b>	<b>Q1 2019 EUR million</b>	<b>Differ- ence</b>
Turnover	283.7	265.3	+6.9 %
- of which in Germany	130.7	112.3	+16.4 %
- of which outside of Ger- many	153.0	153.0	0.0 %
Investments (without: fi- nancial assets and IFRS 16)	5.8	4.2	+38.1 %
Employees as at 31 March	5,633	5,420	+3.9 %
- of which in Germany	2,997	2,934	+2.2 %
- of which outside of Ger- many	2,636	2,486	+6.0 %