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Årsredovisning

Sto Scandinavia AB

Org.nr 556290-8318

Räkenskapsår 2022-01-01 - 2022-12-31

Fastställelseintyg
Undertecknad styrelseledamot intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 30/3 2023.
Årsstämman beslöt att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Linköping den 31/3 2023

Jan-Tore Andersen

20230529005377

Årsredovisning

Sto Scandinavia AB

Org.nr 556290-8318

Räkenskapsår 2022-01-01 - 2022-12-31

Sto Scandinavia AB
556290-8318

20230529053378

Årsredovisning

för räkenskapsåret 2022-01-01 - 2022-12-31

Styrelsen och verkställande direktören för Sto Scandinavia AB avger härmed följande årsredovisning.

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Styrelsens säte: Linköping
Företagets redovisningsvaluta: Svenska kronor (SEK).
Alla belopp redovisas, om inte annat anges, i tusentals kronor (tkr).

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Förvaltningsberättelse

Information om verksamheten
Sto Scandinavia AB bedriver verksamhet i de nordiska länderna och är ett helägt dotterbolag till Sto SE & Co KGaA som är noterat på Frankfurtbörsen. I Danmark och Finland bedrivs verksamheterna som helägda dotterbolag till Sto Scandinavia AB. Verksamheten omfattar produktion, försäljning och marknadsföring av produkter, system samt lösningar för fasader, betong och interiör med målsättning att vara ledande i Norden inom hållbart byggande till nytta för människor, samhälle och miljö.
I Linköping finns huvudkontor och produktionsanläggning. Distributionen till kund sker via egna StoCenter som finns etablerade på de flesta större orterna i Norden. Vid StoCenters finns lager- och försäljningslokaler med kompletta sortiment av produkter, verktyg och hjälpmedel. Där erbjuds även utbildning för konsulter och hantverkare. Verksamheten är inriktad mot fem produktområden:

Fasad
Fasadsystem för nyproduktion och renovering avseende såväl isolerade som ventilerade lösningar. Produktfloran består av alla komponenter för fasadsystemet med tillhörande avskydd avseende färg, puts, natursten, glas, dekorprofiler samt produkter för fasadrengöring och färgborttagning.

Interiör
Produktområdet innefattar färgval, puts, dekorativa ytbeläggningar på såväl vägg som golv, lack och lasyr samt effektiva akustiksystem.

Betong
System för underhåll av alla typer av betongkonstruktioner exempelvis broar, silos, parkeringshus, reningsbassänger, vattentorn och balkonger. Sto Scandinavia AB har system såväl för renovering som förstärkning av betongkonstruktioner.

Golv
Golvbeläggningssystem lämpade för allmän industri, kontor/butik, skolor och elektronik-/dataindustri.

Akustik
Lösningar för alltifrån hemmiljö, kontors- och konferenslokaler till konserthallar och simhallar.

Sto Scandinavia AB erbjuder kompletta produktsystem samt tillhandahåller maskiner som underlättar och effektiviserar hantering och applicering. Tjänsterna omfattar rådgivning avseende val av material, system, maskiner och verktyg samt utbildning i användningsteknik.

Väsentliga händelser under räkenskapsåret
Sto Scandinavia har under året fortsatt att fokusera på att arbeta vidare med sina sex strategiska mål; Specialist, Digitalisering, Kompetensutveckling, Projektspecialisering, Logistik och Hållbarhet.

Året har präglats kraftigt av invasionen av Ukraina och dess följdverkningar vilket även har påverkat Sverige i sin helhet. Kraftiga prisökningar ingående komponenter och material har medfört att företaget under flertal tillfällen har genomför prisökningar ut i marknaden.
Vi har under året sett försenade eller avbrutna projekt inom de segment som Sto arbetar inom. Under senare delen av 2022 ser vi även att Investeringar inom framförallt nyproduktion minskar kraftigt.

Hållbarhetsrapportering
I enlighet med ÅRL 6 Kap 11§ har bolaget upprättat den lagstadgade hållbarhetsrapporten som en från årsredovisningen avskild rapport. Hållbarhetsrapporten går att hitta på https://www.sto.se/s/hallbarhet

Förväntad framtida utveckling samt risker och osäkerhetsfaktorer
Företagets långsiktiga inriktning är fortsatt att utveckla hållbart byggande genom våra erbjudanden på marknaden – allt ur ett långsiktigt miljömässigt perspektiv. Företaget fortsätter sin digitaliseringsutveckling för att stärka sin position ytterligare på marknaden.

Företaget har en positiv syn avseende marknadsutvecklingen avseende såväl nyproduktion om renovering/ombyggnation på kort sikt. Dock ser företaget en långsiktig möjlighet till en starkt positiv utveckling utifrån ett stort behov av energiförbättrande åtgärder, då detta är ett av företagets största affärsområden.

Företaget har stark position inom sina områden med de krav och möjligheter som marknaden driver avseende hållbarhet och framtida miljöpåverkan.

Under den kommande perioden fortsätter företagets intensifiering i sin satsning avseende renovering, ombyggnad och tillbyggnad utifrån tydliga koncept och målgrupper samt stärka sin erbjudanden avseende digitala lösningar och support.

Väsentlig icke-finansiell information
Sto Scandinavia AB är certifierade enligt ISO 9001, ISO 14001 och ISO 45001.

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Personalinformation
Det är människorna på Sto Scandinavia AB som gör skillnad. Våra medarbetare engagerar sig varje dag för att säkerställa att vi behåller vår framgångsrika position i branschen. Tack vare deras kunskaper, erfarenheter, passion och nyfikenhet bidrar våra medarbetare till en stor del av vår framgång.
Vi arbetar aktivt med att utveckla våra medarbetare via vårt Sto Academy och avsätter årligen både tid, resurser för att utveckla medarbetare och vår organisation. Frågor som mångfald, likabehandling och jämställdhet är viktiga för oss och vi bedriver ett aktivt arbetsmiljö- och friskvårdsarbete. Vi är medlemmar i Almega och har kollektivavtal med Unionen, Akademikerförbunden och Handels. Vid utgången av år 2022 arbetade 142 tillsvidareanställda varav 119 tjänstemän, av de tillvidareanställda bestod 25% av kvinnor. Inom bolaget är den genomsnittliga åldern 44 år. Under året uppgick personalomsättningen till 11%.

Miljöpåverkan
Genom produktionen i Linköping bedrivs anmälningspliktig C-verksamhet. Sto Scandinavia AB svarar för egen kontroll under överinseende av Linköpings kommun och vår bedömning är att verksamheten bedrivs inom ramarna och efter de regler som föreskrivits i tillståndet.

Ägarförhållanden
Bolaget är ett helägt dotterbolag till Sto SE & Co KGaA, DE142834082, med säte i Weizen, Tyskland.

Flerårsöversikt*	**2022**	**2021**	**2020**	**2019**
Nettoomsättning (tkr)	*493 075*	*449 144*	*430 348*	*474 228*
Resultat efter finansiella poster (tkr)	39 995	26 861	26 222	-25 580
Balansomslutning (tkr)	332 854	379 363	397 427	420 281
Soliditet (%)	39,78%	26,26%	19,74%	13,33%
Medelantal anställda	139	136	145	144

Nyckeltalsdefinitioner
Soliditet
Justerat eget kapital i procent av balansomslutning

Förslag till resultatdisposition (kr)
Styrelsen föreslår att till förfogande stående medel

Balanserat resultat	17 456 292
Årets resultat	32 800 561
	50 256 853
disponeras så att	
till aktieägare utdelas (133,33 kronor per aktie)	10 000 000
i ny räkning överföres	40 256 853
	50 256 853

Styrelsen anser att den föreslagna vinstutdelningen är försvarlig med hänsyn till de krav som verksamhetens art, omfattning och risker ställer på storleken av det egna kapitalet samt bolagets konsolideringsbehov, likviditet och ställning i övrigt.

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Sto Scandinavia AB
556290-8318

Resultaträkning

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Nettoomsättning	1,6	493 075	449 144
Förändring av lager av varor under tillverkning, färdiga varor och pågående arbete för annans räkning		787	1 181
Övriga rörelseintäkter	6	25 580	17 486
		519 442	**467 811**
Rörelsens kostnader			
Råvaror och förnödenheter		-55 568	-49 528
Handelsvaror	6	-172 444	-147 148
Övriga externa kostnader	2,3,4	-131 167	-128 481
Personalkostnader	5	-114 266	-106 959
Avskrivningar och nedskrivningar (samt återföring därav) av materiella och immateriella anläggningstillgångar		-7 701	-7 614
Övriga rörelsekostnader		-4 247	-1 161
		-485 392	**-440 891**
Rörelseresultat		**34 050**	**26 920**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	7	5 772	0
Övriga ränteintäkter och liknande resultatposter		246	2
Räntekostnader och liknande resultatposter		-73	-61
		5 944	**-59**
Resultat efter finansiella poster		**39 995**	**26 861**
Resultat före skatt		**39 995**	**26 861**
Skatt på årets resultat	8	-7 194	-5 683
Årets resultat		**32 800**	**21 178**

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Balansräkning

	Not	2022-12-31	2021-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Balanserade utgifter för forsknings- och utvecklingsarbeten och liknande arbeten	9	167	3 361
		167	**3 361**
Materiella anläggningstillgångar			
Byggnader och mark	10	34 773	35 861
Maskiner och andra tekniska anläggningar	11	13 697	16 062
Inventarier, verktyg och installationer	12	10 738	11 725
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	13	0	275
		59 207	**63 923**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	14, 15	16 708	16 708
Uppskjuten skattefordran	16	6 425	13 656
Andra långfristiga fordringar	17	913	913
		24 046	**31 277**
Summa anläggningstillgångar		**83 420**	**98 561**
Omsättningstillgångar			
Varulager m.m.			
Råvaror och förnödenheter		5 984	4 825
Varor under tillverkning		484	562
Färdiga varor och handelsvaror		39 329	33 294
Förskott till leverantörer		823	121
		46 620	**38 803**
Kortfristiga fordringar			
Kundfordringar		21 090	13 372
Fordringar hos koncernföretag		11 265	3 202
Aktuell skattefordran		3 514	3 344
Övriga fordringar	18	48 100	95 308
Förutbetalda kostnader och upplupna intäkter	19	5 544	4 281
		89 513	**119 507**
Kassa och bank		113 301	122 493
Summa omsättningstillgångar		**249 433**	**280 803**
SUMMA TILLGÅNGAR		**332 854**	**379 363**

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Balansräkning

	Not	2022-12-31	2021-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	20		
Bundet eget kapital			
Aktiekapital		75 000	75 000
Reservfond		7 160	7 160
		82 160	**82 160**
Fritt eget kapital			
Balanserat resultat		17 456	-3 722
Årets resultat		32 801	21 178
		50 257	**17 456**
Summa eget kapital		**132 417**	**99 616**
Avsättningar	21		
Avsättningar för pensioner och liknande förpliktelser		913	913
Uppskjuten skatteskuld		1 429	1 296
Övriga avsättningar		131 197	202 257
		133 539	**204 466**
Kortfristiga skulder			
Leverantörsskulder		18 133	18 585
Skulder till koncernföretag		24 052	33 407
Skulder till intresseföretag		21	52
Skulder för terminskontrakt	22	0	0
Övriga skulder		4 110	3 579
Upplupna kostnader och förutbetalda intäkter	23	20 583	19 659
		66 898	**75 281**
SUMMA EGET KAPITAL OCH SKULDER		**332 854**	**379 363**

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Rapport över förändringar i eget kapital

	Aktie-kapital	Reservfond	Balanserat resultat	Årets resultat	Totalt
Ingående balans 2021-01-01	75 000	7 160	-26 147	22 425	**78 438**
Omföring resultat föregående år	0	0	22 425	-22 425	**0**
Lämnad utdelning	0	0	0	0	**0**
Årets resultat	0	0	0	21 178	**21 178**
Utgående balans 2021-12-31	**75 000**	**7 160**	**-3 722**	**21 178**	**99 616**
Omföring resultat föregående år	0	0	21 178	-21 178	**0**
Årets resultat	0	0		32 801	**32 801**
Utgående balans 2022-12-31	**75 000**	**7 160**	**17 456**	**32 801**	**132 417**

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Kassaflödesanalys

	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Den löpande verksamheten		
Rörelseresultat	34 050	26 920
Justeringar för poster som inte ingår i kassaflödet m.m.		
Avskrivningar och nedskrivningar	7 701	7 624
Vinst vid försäljning av anläggningstillgångar	3 275	51
Förlust vid försäljning/utrangering av anläggningstillgångar		
Avsättningar till pensioner		
Orealiserade kursdifferenser		
Utdelning från dotterbolag		0
Övriga avsättningar	-71 060	-51 764
Försäkringsersättning		
	-26 034	**-17 169**
Erhållen ränta	246	2
Erlagd ränta	-73	-61
Betald inkomstskatt	0	0
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital	**-25 861**	**-17 228**
Förändringar i rörelsekapital		
Förändring av varulager	-7 817	-3 348
Förändring av rörelsefordringar	35 936	74 021
Förändring av rörelseskulder	-8 384	12 317
Kassaflöde från den löpande verksamheten	**-6 126**	**65 762**
Investeringsverksamheten		
Förvärv av immateriella anläggningstillgångar		-1 087
Förvärv av materiella anläggningstillgångar	-3 066	-6 931
Investeringar i finansiella tillgångar		
Kassaflöde från investeringsverksamheten	**-3 066**	**-8 018**
Årets kassaflöde	**-9 192**	**57 744**
Likvida medel vid årets början	**122 493**	**64 749**
Likvida medel vid årets slut	**113 301**	**122 493**

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Tilläggsupplysningar

Redovisningsprinciper m.m.

Allmänna redovisningsprinciper
Årsredovisningen har upprättats enligt årsredovisningslagen (1995:1554) och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Bedömningar och uppskattningar

Följande av styrelsens bedömningar har en betydande effekt på redovisade belopp i årsredovisningen:
Nedskrivning av lager sker enligt en för koncernen fastställd inkuranstrappa, baserad på beräknad framtida lageromsättning utifrån en historisk analys. Denna nedskrivning kompletteras med en bedömning av enskilda artiklar.

Avsättning för garantiåtaganden grundas på en bedömning av framtida reklamationskostnader.

Koncerntillhörighet
Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är Sto SE & Co KGaA (DE142834082) med säte i Weizen, Tyskland. Sto SE & Co KGaA är också moderföretag för hela koncernen.

Koncernredovisning
Företaget är ett moderföretag men upprättar ingen koncernredovisning med hänvisning till undantagsregeln i årsredovisningslagen 7 kap. 2 §.

Det utländska moderföretagets årsredovisning finns att tillgå hos:

Sto SE & Co KGaA
Ehrenbachstrasse 1
D-79780 Stühlingen
Tyskland
Telefon: +49 (0) 77 44 570

Intäktsredovisning
Försäljning av varor
Intäkten redovisas till verkligt värde av vad företaget fått eller kommer att få. Det innebär att företaget redovisar inkomsten till nominellt värde (fakturabelopp) om företaget får ersättning i likvida medel direkt vid leveransen. Avdrag görs för lämnade rabatter.

Vid försäljning av varor redovisas normalt inkomsten som intäkt när de väsentliga förmåner och risker som är förknippade med ägandet av varan har överförts från företaget till köparen.

Ränta, royalty och utdelning
Ersättning i form av ränta, royalty eller utdelning redovisas som intäkt när det är sannolikt att företaget kommer att få de ekonomiska fördelar som är förknippade med transaktionen och när inkomsten kan beräknas på ett tillförlitligt sätt.

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärdet i enlighet med kapiltel 11 BFNAR 2012:1. Företaget har under räkenskapsåret tillämpat valutahedging (EUR/DKK/NOK), för att hantera sin valutarisk. På balansdagen upppgår den orealiserade valutavinsten till 1 787 tkr. Detta belopp är inte redovisat i balansräkningen.

Redovisning av leasingavtal
Företaget redovisar samtliga leasingavtal som operationella leasingavtal. Operationella leasingavtal redovisas som en kostnad linjärt över leasingperioden.
Se vidare not 3.

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Ersättning till anställda
Ersättning till anställda avser alla typer av ersättningar som företaget lämnar till de anställda. Företagets ersättningar innefattar bland annat löner, betald semester, betald frånvaro, bonus och ersättningar efter avslutad anställning (pensioner). Redovisningen sker i takt med intjänandet. Ersättningen till anställda efter avslutad anställning avser avgiftsbestämda eller förmånsbestämda pensionsplaner. Som avgiftsbestämda planer klassificeras planer där fastställda avgifter betalas och det inte finns förpliktelser, vare sig legala eller informella, att betala något ytterligare, utöver dessa avgifter. Övriga planer klassificeras som förmånsbestämda pensionsplaner. Företaget har inga långfristiga ersättningar till anställda.

Anläggningstillgångar
Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar och eventuella nedskrivningar.

Materiella anläggningstillgångar har delats upp på betydande komponenter när komponenterna har väsentligt olika nyttjandeperioder

Avskrivningsbart belopp utgörs av anskaffningsvärdet minskat med ett beräknat restvärde om detta är väsentligt. Avskrivning sker linjärt över den förväntade nyttjandeperioden.

Följande avskrivningstider tillämpas:

Immateriella anläggningstillgångar	
Balanserade utgifter för forsknings- och utvecklingsarbeten och liknande arbeten	5 år
Materiella anläggningstillgångar	
Byggnader	15-50 år
Markanläggningar	20 år
Maskiner och andra tekniska anläggningar	10 år
Inventarier, verktyg och installationer	3-10 år

Varulager
Varulagret har värderats till det lägsta av dess anskaffningsvärde, enligt en vägd genomsnittsberäkning, och dess nettoförsäljningsvärde på balansdagen. Med nettoförsäljningsvärdet avses varornas beräknade försäljningspris minskat med försäljningskostnader.
I egentillverkade halv- och helfabrikat består anskaffningsvärdet av direkta tillverkningskostnader och skälig andel av indirekta kostnader. Vid värdering har hänsyn tagits till normalt kapacitetsutnyttjande.
Den valda värderingsmetoden innebär att eventuell inkurans i varulagret har beaktats.

Skatt
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekt redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjutna skattefordringar reduceras till den del det inte är sannolikt att den underliggande skattefordran kommer att kunna realiseras inom en överskådlig framtid. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Omräkning av poster i utländsk valuta
Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet.

Fordringar, skulder och avsättningar
Om inget annat anges ovan värderas kortfristiga fordringar till det lägsta av dess anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Långfristiga fordringar och långfristiga skulder värderas efter det första värderingstillfället till upplupet anskaffningsvärde. Övriga skulder och avsättningar värderas till de belopp varmed de beräknas bli reglerade. Övriga tillgångar redovisas till anskaffningsvärde om inget annat anges ovan.

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Noter

Not 1 Nettoomsättningens fördelning

Nettoomsättningen fördelar sig på geografiska marknader enligt följande:

	2022	2021
Sverige	440 911	393 611
EU	28 812	34 507
Övriga länder	23 352	21 026
	493 075	**449 144**

Not 2 Arvode till revisorer

	2022	2021
Öhrlings PricewaterhouseCoopers AB		
Revisionsuppdraget	491	455
Skatterådgivning	20	20
	511	**475**
Ernst &Young AB		
Revisionsuppdraget		0
Skatterådgivning	201	106
	201	**106**

Not 3 Operationella leasingavtal

	2022	2021
Kostnadsförda leasingavgifter avseende operationella leasingavtal	11 764	10 976
Framtida minimileaseavgifter avseende ej uppsägningsbara operationella *leasingavtal:*		
Ska betalas inom 1 år	11 721	10 863
Ska betalas inom 1-5 år	21 062	12 870
Ska betalas senare än 5 år	0	218

Not 4 Exceptionella intäkter och kostnader

En tillkommande avsättning uppgående till 6 256 tkr har gjorts under 2022 gällande ett produktfel. Den totala avsättningen för detta ändamål uppgår den 31 december 2022 till 128 616 tkr. Sto Scandinavia ABs förväntade framtida kostnad väntas täckas av ersättning från försäkringsbolag till ett belopp om 47 072 tkr, varav 6 256 tkr avser tillkommande fordran per den 31 december 2022. De aktuella posterna har kvittats i resultaträkningen, nettot av framtida förväntade utgifter och beräknad försäkringsersättning uppgår till 81 544 tkr.

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Not 5 Anställda och personalkostnader

Medelantalet anställda

	2022	2021
Män	109	106
Kvinnor	31	30
	139	**136**

	2022	2021
Löner och andra ersättningar		
Styrelse och verkställande direktör	0	0
Övriga anställda	75 509	70 727
	75 509	**70 727**
Tantiem till styrelse och verkställande direktör ingår med	0	0
Pensions- och övriga sociala kostnader		
Pensionskostnader för styrelse och verkställande direktör	0	0
Pensionskostnader för övriga anställda	9 392	8 676
Övriga sociala kostnader enligt lag och avtal	26 996	25 574
	36 388	**34 251**

	2022-12-31	2021-12-31
Utestående pensionsförpliktelser		
till styrelse och verkställande direktör	913	913
Könsfördelning bland ledande befattningshavare		
Andel kvinnor i styrelsen	0%	0%
Andel män i styrelsen	100%	100%
Andel kvinnor bland övriga ledande befattningshavare	14%	14%
Andel män bland övriga ledande befattningshavare	86%	86%

Not 6 Inköp och försäljning mellan koncernföretag

	2022	2021
Andel av årets totala inköp som skett från andra företag inom koncernen	48%	50%
Andel av årets totala försäljning som skett till andra företag inom koncernen	10%	11%

I övriga rörelseintäkter ingår koncernintern försäljning uppgående till 17 121 tkr (12 938 tkr).

Not 7 Resultat från andelar i koncernföretag

	2022	2021
Erhållna utdelningar	5 772	0
	5 772	**0**

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Not 8 Skatt på årets resultat

	2022	2021
Justering avseende tidigare år	170	0
Förändring av uppskjuten skatt avseende temporära skillnader	-140	-648
Förändring av uppskjuten skattefordran avseende underskottsavdrag	-7 225	-5 035
Summa redovisad skatt	**-7 194**	**-5 683**
Genomsnittlig effektiv skattesats	**-**	**-**
Avstämning av effektiv skattesats		
Redovisat resultat före skatt	**39 995**	**26 861**
Skatt på redovisat resultat enligt gällande skattesats 20,6%:	-8 239	-5 533
Skatteeffekt av:		
Övriga ej avdragsgilla kostnader	-314	-150
Justering avseende tidigare år	170	0
Ej skattepliktig utdelning	1 189	0
Redovisad skatt	**-7 194**	**-5 683**
Effektiv skattesats	-	-

Upplysningar om uppskjuten skattefordran och skatteskuld
Uppskjuten skattefordran avser temporär skillnad mellan bokföring och beskattning avseende pensionsåtagande för kapitalförsäkring, orealiserad förlust avseende terminskontrakt samt uppskjuten skattefordran hänförlig till skattemässigt underskott. Uppskjuten skatteskuld avser temporär skillnad avseende avskrivningar.

Not 9 Balanserade utgifter för forskning och utvecklingsarbeten och liknande arbeten

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	3 594	2 507
Årets anskaffningar		1 087
Försäljningar/utrangeringar	-3 094	0
Utgående ackumulerade anskaffningsvärden för pågående investeringar	**500**	**3 594**
Ingående avskrivningar	-233	-133
Årets avskrivningar	-100	-100
Utgående ackumulerade avskrivningar	**-333**	**-233**
Utgående redovisat värde	**167**	**3 361**

Not 10 Byggnader och mark

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	75 874	76 068
Årets anskaffningar	470	2 291
Försäljningar/utrangeringar	-34	-2 485
Omklassificeringar	275	0
Utgående ackumulerade anskaffningsvärden	**76 585**	**75 874**
Ingående avskrivningar	-40 013	-40 739
Försäljningar/utrangeringar	23	2 484
Årets avskrivningar	-1 822	-1 758
Utgående ackumulerade avskrivningar	**-41 813**	**-40 013**
Utgående redovisat värde	**34 773**	**35 861**

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Not 11 Maskiner och andra tekniska anläggningar

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	81 839	79 014
Årets anskaffningar	924	2 360
Försäljningar/utrangeringar	0	-291
Omklassificeringar	0	755
Utgående ackumulerade anskaffningsvärden	**82 762**	**81 839**
Ingående avskrivningar	-65 777	-62 821
Försäljningar/utrangeringar	0	291
Årets avskrivningar	-3 288	-3 247
Utgående ackumulerade avskrivningar	**-69 065**	**-65 777**
Utgående redovisat värde	**13 697**	**16 062**

Not 12 Inventarier, verktyg och installationer

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	46 072	46 052
Årets anskaffningar	1 672	2 005
Försäljningar/utrangeringar	-1 107	-1 984
Utgående ackumulerade anskaffningsvärden	**46 638**	**46 072**
Ingående avskrivningar	-34 348	-33 772
Försäljningar/utrangeringar	938	1 933
Årets avskrivningar	-2 490	-2 509
Utgående ackumulerade avskrivningar	**-35 900**	**-34 348**
Utgående redovisat värde	**10 738**	**11 725**

Not 13 Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	275	755
Årets anskaffningar		275
Omklassificeringar	-275	-755
Utgående ackumulerade anskaffningsvärden	**0**	**275**
Utgående redovisat värde	**0**	**275**

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Not 14 Andelar i koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	20 280	24 387
Försäljningar/utrangeringar		-4 107
Utgående ackumulerade anskaffningsvärden	**20 280**	**20 280**
Ingående nedskrivningar	-3 572	-3 572
Utgående ackumulerade nedskrivningar	**-3 572**	**-3 572**
Utgående redovisat värde	**16 708**	**16 708**

Not 15 Specifikation av andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde
Sto Finexter Oy	100%	100%	1 000	10 913
Sto Danmark A/S	100%	100%	501 000	5 795
				16 708

	Org.nr.	Säte	Eget kapital*	Årets resultat*
Sto Finexter Oy	0862614-7	Tampere, Finland	10 297	3 271
Sto Danmark A/S	31875382	Hvidovre, Danmark	14 555	2 046

*Eget kapital samt Årets resultat har angetts i sin helhet oavsett ägarandel.
Med Årets resultat avses resultat efter finansiella poster, före erlagd anteciperad utdelning

Not 16 Uppskjuten skattefordran

	2022-12-31	2021-12-31
Ingående saldo	13 656	19 133
Tillkommande skattefordringar		6
Återförda skattefordringar	-7 231	-5 483
	6 425	**13 656**

Se även not 8 Skatt på årets resultat.

Not 17 Andra långfristiga fordringar

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	913	923
Tillkommande fordringar		
Amorteringar, avgående fordringar	0	-10
Utgående ackumulerade anskaffningsvärden	**913**	**913**
Utgående redovisat värde	**913**	**913**

Not 18 Övriga fordringar

	2022-12-31	2021-12-31
Försäkringsersättning	47 072	94 283
Övriga fordringar	1 028	1 024
	48 100	**95 308**

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Not 19 Förutbetalda kostnader och upplupna intäkter

	2022-12-31	2021-12-31
Övriga upplupna intäkter	866	558
Förutbetalda hyreskostnader	2 216	2 151
Förutbetalda försäkringspremier	1 017	830
Övriga förutbetalda kostnader	1 445	742
	5 544	**4 281**

Not 20 Antal aktier

2022-12-31	2021-12-31	2022-12-31	2021-12-31
Kvotvärde	*Kvotvärde*	*Antal*	*Antal*
1 000	1 000	75 000	75 000
		75 000	**75 000**

Not 21 Avsättningar

	2022-12-31	2021-12-31
Pensioner och liknande förpliktelser		
Belopp vid årets ingång	913	923
Årets avsättningar		
Under året ianspråktagna belopp	0	-10
	913	**913**
Uppskjuten skatteskuld		
Belopp vid årets ingång	1 296	1 090
Årets avsättningar	134	206
	1 429	**1 296**

Se även not 8 Skatt på årets resultat.

Övriga avsättningar		
Belopp vid årets ingång	202 257	254 011
Årets avsättningar	7 295	15 846
Under året ianspråktagna belopp	-78 004	-65 591
Under året återförda belopp	-352	-2 010
	131 197	**202 257**

Specifikation övriga avsättningar		
Garantiåtaganden	131 197	202 257
	131 197	**202 257**

Avsättningen för garantiåtaganden grundas på en bedömning av framtida reklamationskostnader.

Not 22 Terminskontrakt

Sto Scandinavia AB har tecknat terminskontrakt för att hantera sin valutarisk (EUR). Marknadsvärdet på bokslutsdagen översteg terminskontraktens värde varvid ingen nedskrivning gjorts i år. Föregående år skedde en nedskrivning av terminskontrakten till dåvarande marknadsvärde på bokslutsdagen.

Not 23 Upplupna kostnader och förutbetalda intäkter

	2022-12-31	2021-12-31
Upplupna löner	3 692	3 614
Upplupna semesterlöner	9 016	8 730
Upplupna sociala avgifter	3 993	3 878
Övriga upplupna kostnader	3 881	3 438
	20 583	**19 659**

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Not 24 Ställda säkerheter

	2022-12-31	2021-12-31
Säkerheter ställda för annat:		
För eget pensionsåtagande	913	913
	913	**913**
Summa ställda säkerheter	**913**	**913**

Not 25 Eventualförpliktelser

	2022-12-31	2021-12-31
Övriga ansvarsförbindelser till förmån för koncernföretag	1 341	1 341
	1 341	**1 341**

Not 26 Väsentliga händelser efter balansdagens slut

Inga väsentliga händelser efter balansdagen.

Not 27 Disposition av vinst eller förlust

Förslag till resultatdisposition (kr)
Styrelsen föreslår att till förfogande stående medel

Balanserat resultat	17 456 292
Årets resultat	32 800 561
	50 256 853
disponeras så att	
till aktieägare utdelas (133,33 kronor per aktie)	10 000 000
i ny räkning överföres	40 256 853
	50 256 853

Linköping den 17 mars 2023

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Rainer Hüttenberger
Ordförande

Jan Tore Andersen
Verkställande direktör

Patrick Falk
Styrelseledamot

Svein Oftedal
Styrelseledamot

Vår revisionsberättelse har lämnats den 24 mars 2023
Öhrlings PricewaterhouseCoopers AB

Kristoffer Johansson
Auktoriserad revisor

20230529085396

Revisionsberättelse

Till bolagsstämman i Sto Scandinavia AB, org.nr 556290-8318

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Sto Scandinavia AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Sto Scandinavia ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Sto Scandinavia AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Sto Scandinavia AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Sto Scandinavia AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Sto Scandinavia AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Jönköping den 24 mars 2023

Öhrlings PricewaterhouseCoopers AB

Kristoffer Johansson
Auktoriserad revisor

Building with conscience.

2022 Annual Report

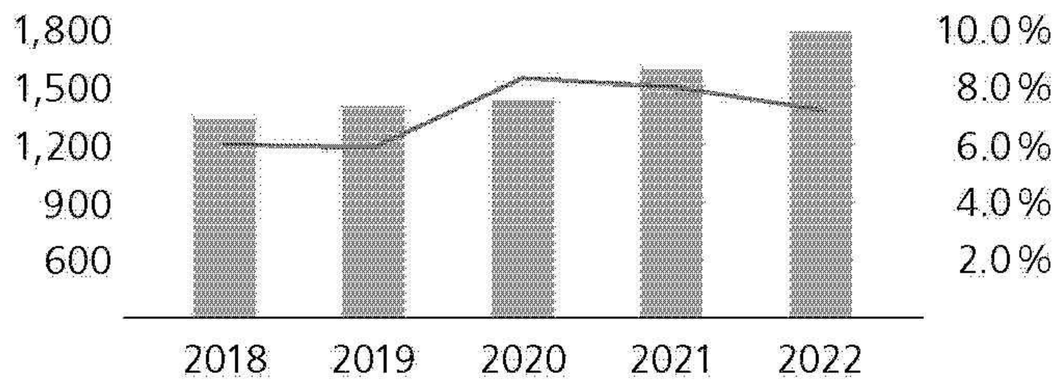
Sto SE & Co. KGaA

Sto at a glance

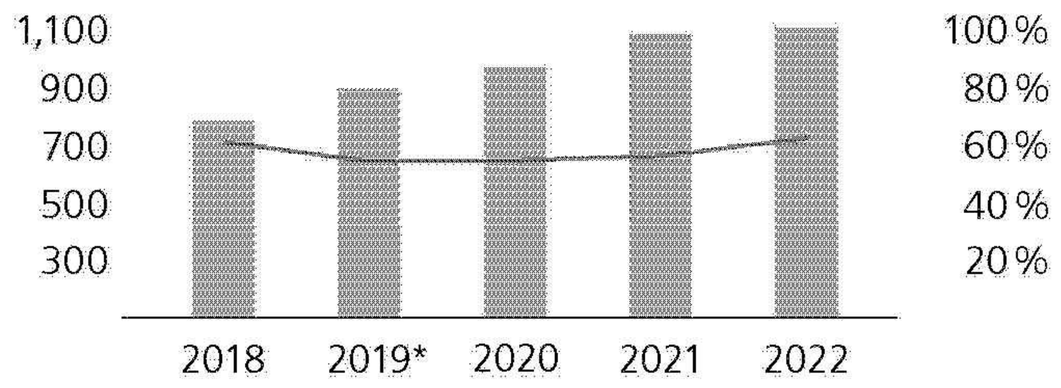
Sto Group	2018	2019*	2020	2021	2022	Changes in % 22/21
Turnover	1,332.4	1,398.2	1,433.0	1,590.5	1,787.4	12.4
Germany	596.0	611.3	660.1	692.5	761.8	10.0
Outside of Germany	736.4	786.9	772.9	898.0	1,025.6	14.2
Investments (without: financial assets and IFRS 16)	32.1	35.3	41.7	41.9	47.4	13.1
Depreciation/amortisation (without: financial assets and IFRS 16)	31.3	33.2	45.5	46.9	42.0	-10.4
EBITDA	113.2	138.2	186.5	192.5	194.5	1.0
EBIT	81.9	85.9	120.8	124.5	129.7	4.2
EBT	80.2	83.1	119.0	127.9	128.3	0.3
Return on sales (EBT) (%)	6.0	5.9	8.3	8.0	7.2	
EAT	53.8	56.3	80.7	94.7	89.1	-5.9
Earnings per limited ordinary share (EUR)	8.33	9.03	12.54	14.40	14.00	-2.8
Earnings per limited preference share (EUR)	8.39	9.09	12.60	14.46	14.06	-2.8
Cash flow from operating activities	80.7	117.0	177.2	111.4	95.3	-14.5
per share (EUR)	12.56	18.21	27.58	17.34	14.83	-14.5
ROCE (%)**	15.6	14.0	19.7	18.9	17.3	
Total assets	784.4	896.1	973.8	1,084.7	1,097.7	1.2
Equity	477.5	486.5	531.4	610.0	685.1	12.3
in % of total assets	60.9	54.3	54.6	56.2	62.4	
Employees (year end)	5,333	5,533	5,545	5,697	5,735	0.7
of which in Germany	2,887	2,943	3,000	3,127	3,130	0.1
of which outside of Germany	2,446	2,590	2,545	2,570	2,605	1.4
Sto share						
Dividend per limited ordinary share (EUR)***	0.25/3.78	0.25/3.78	0.25/4.69	0.25/4.69	0.25/4.69	
Dividend per limited preference share (EUR)***	0.31/3.78	0.31/3.78	0.31/4.69	0.31/4.69	0.31/4.69	
Price-to-earnings ratio (31 Dec)	9.8	12.5	10.3	15.3	10.7	
Price-to-book ratio (31 Dec)	1.1	1.5	1.6	2.3	1.4	

(Figures in EUR million unless otherwise indicated)

Development of P&L data



Development of balance sheet data



* From 2019 including IFRS 16

** ROCE = EBIT divided by average capital employed.
Capital employed = balance sheet values are determined on the basis of an arithmetic average of the respective reference date values at month end for the respective period. Capital employed = Intangible assets + Property, plant, and equipment + Rights of use + Inventories + Trade receivables ./. Trade payables

*** 2022: proposal by the personally liable partner STO Management SE and the Supervisory Board.

Rounding of amounts may lead to minor deviations in totals and in the calculation of percentages in this report.

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About the title image:
A significant part of the future of building lies in the existing stock. Nevertheless, new construction will of course continue in the future. A project by the Italian architecture firm quattroassociati proves that the two can also go hand in hand. During the construction of a new NH hotel in Milan, a church that was no longer in use was integrated into the project as a foyer. In this way, various goals could be achieved in one step: The grey energy of the church building was preserved, as was its function as a defining element of urban development, and the modern hotel insulated with StoTherm Classic and designed with StoDeco profiles was given a unique entrance.
Photo: Andrea Martiradonna, Milan/Italy

At Sto, we attach great importance to gender equality. However, for reasons of better legibility, the simultaneous readability of male, female, diverse (m/f/d) is waived. Thus, all personal designations apply equally to all genders.

Foreword

Rainer Hüttenberger, Spokesman of the Executive Board of STO Management SE
Photo: Martin Baitinger, Böblingen/Germany

Dear Shareholders,
For our company and the entire global community, 2022 presented numerous challenges the likes of which we could never have imagined. Even more significant, however, are the impressive feats that the Sto team has achieved in overcoming these difficult circumstances. We have met our key objectives, continued to serve as a reliable partner to our customers, and even set new records in our turnover and earnings. In short, we have proven once again that we are in safe hands with the Sto workforce. We are extremely proud of what our employees have achieved and extend our sincere thanks to each and every one of them for their dedication because the hurdles we had to clear together were extraordinarily high.

The coronavirus pandemic, which has dominated everything we have done in recent years, primarily affected life in China in 2022. The lockdowns and strict restrictions imposed there had serious consequences that spread to the rest of the world too. The Russia-Ukraine conflict was another global event that we had previously considered unlikely. The human catastrophes that followed are unbearable and in some cases beyond our imagination, and the direct and indirect economic effects have of course been significant too: extreme uncertainty, huge inflation levels, fundamental structural change on the international energy markets, extensive disruption to global supply chains, and exorbitant increases in some procurement prices, to name but a few.

So what does all this mean for Sto? The most important topics in the 2022 financial were maintaining the value chain and hence the reliable delivery to our customers as well as handling the explosion in procurement prices. This was a significant challenge in view of the supply bottlenecks and disruptions facing us. Following on from two pandemic years that had already taken their toll, Sto's employees had to work quickly and flexibly, develop new ideas, and once again put all hands to the pump in order to conquer this new challenge. I feel it is also especially important to highlight the active humanitarian support that our employees and business partners have given, and continue to give, to Ukraine.

Sto SE & Co. KGaA has achieved a remarkable result for the 2022 financial year despite these general conditions. Consolidated turnover saw an increase by 12.4 % to EUR 1.79 billion; in net terms, this was entirely as a result of the sales price increases we introduced in view of dramatic rises in purchase prices. Sales quantities dropped across the Group, although EBIT rose by 4.2 % to EUR 129.7 million

despite the significant pressure exerted on the gross profit margin, and EBT increased by 0.3 % to EUR 128.3 million. As a result, we achieved the level we had forecast for both turnover and earnings, and even broke our previous record values. However, the drop in the return on sales from 8.0 % to 7.2 % illustrates how significant the negative impact on earnings was due to the negative development of the gross profit margin.

Although we performed well in negotiating the challenges presented in the past financial year, we are not out of the woods yet. It is true that we did not see a reduction in gas supplies last winter as some had feared, and that the threat of the coronavirus pandemic is increasingly diminishing and procurement prices are no longer rising across the board. Instead, the trends occurring in this area are varying from sector to sector. Despite this, the environment in which we are operating is still fraught with risks and uncertainties that we have to manage using efficient approaches.

We equally need to seize the opportunities being presented for Sto and our wider society. I especially want to highlight the fight against climate change which is something we need to commit to wholeheartedly and which also holds significant potential for making improvements for our society. Due to the sharp rises we have seen in heating costs, the building sector has increasingly become an area of focus in this context: in Germany, it is responsible for more than a third of final energy consumption and around 30 % of carbon emissions. However, high consumption levels also hold a lot of scope for making savings. Improving energy efficiency in buildings is a fast, effective way of protecting the climate and saving money at the same time.

Over the past decade, many buildings in Germany being operated poorly in terms of energy have resulted in EUR 50 billion worth of unnecessary expenditure. This figure gave rise to a research project conducted by the Deutsche Unternehmensinitiative Energieeffizienz (DENEFF, German Business Energy Efficiency Initiative) alongside co2online, a non-profit consulting firm. The project's aim was to develop specific proposals designed to ensure that buildings would not consume more energy than they needed to. The researchers came to the conclusion that there are in fact many solutions available for tapping into the significant potential for savings that exists, but that they are hardly ever taken advantage of.

When it comes to funding in particular, it was found that questionable priorities are often set and that there is primarily a focus on building technology, i.e. the generation of electricity, e.g. through heat pumps. However, another tool that must not be neglected is optimising consumption. Ultimately, we have to use heat and electricity more sparingly, for example, if we are to see a successful move towards a turnaround in energy policy. Saving energy is the most effective way.

Insulating building envelopes is an efficient means of reducing heat losses. This results in a considerable reduction in energy demand and less need for energy generation. In addition, carbon emissions drop significantly and modern heating systems in energy-efficient buildings are much better able to deploy the potential they hold. Against the backdrop of currently high gas and heating oil prices (which are likely to continue in 2023), the advantages of good thermal insulation become even more prominent as the investment it requires pays off much more quickly.

Sustained funding has proven to be a highly effective way of creating incentives for bringing new and existing buildings up to better standards of efficiency. Some countries have revealed impressive evidence of this in recent years, with state programmes in Italy and France, for example, triggering a considerable surge in demand – something that Sto has also been able to benefit from as the world market leader for external wall insulation systems. The funding situation in Germany, on the other hand, is unstable as the regulations within the Bundesförderung für effiziente Gebäude (BEG, Federal funding for energy-efficient buildings) were changed multiple times in 2022. Far from a transparent set of conditions, this primarily served to create significant uncertainty among investors.

Existing properties in particular have a lot of catching up to do in this area: at present, only around a quarter of the total building stock in the EU meets modern energy standards. If we are to maintain the standards set by the Green Deal, 35 million buildings in Europe will need to be renovated by 2030. In addition to having a positive impact on the climate, these efforts could create around 160,000 additional jobs in Europe's construction sector. Consequently, reasonable funding in this area could create noticeable momentum from an economic perspective.

Alongside the opportunities for growth offered by the environment in which we do business, we benefit from our own internal strengths. In particular, the Sto Group's innovative, comprehensive, and matched product range ensures that we are able to maintain a healthy market position.

Together, the external and internal opportunities being presented to Sto are forming a solid foundation on which to do business – which is why we are looking forward to the future with confidence in spite of all the prevailing risks and uncertainties. Assuming normal weather conditions and not taking into account the impact of the further development of the Russia-Ukraine conflict, we expect a consolidated turnover of EUR 1.91 billion for the 2023 financial year. EBIT is expected to fall between EUR 118 million and EUR 143 million.

Over the long term, the Sto SE & Co. KGaA share price should also benefit from the positive business development we have seen, following a significant decline that came in parallel with international stock exchanges in 2022. In particular, the value of the Sto share dropped considerably after the outbreak of the Russia-Ukraine conflict, although it has now stabilised slightly over the last two months. The share was listed at EUR 150.40 at the end of 2022, representing a decline of almost 32 % compared to the previous year's closing price.

As always, we are keen to ensure that our shareholders benefit from the company's success once again this year and, at the same time, that we are able to stabilise the equity base of Sto SE & Co. KGaA with regard to the continuing uncertain general conditions. In line with this, the Executive Board of the personally liable partner will propose a stable dividend payout to the Annual General Meeting on 21 June 2023. This means that limited preference shareholders will receive an unchanged ordinary dividend of EUR 0.31 and a bonus of EUR 4.69 per share, and limited ordinary shareholders an also stable ordinary dividend of EUR 0.25 plus a bonus of EUR 4.69 per share.

We all need to continue pulling together so that we can overcome the challenges we face in these times and combat climate change. The most effective way to achieve this is to start by looking at what actions we ourselves are taking. Within the Sto Group, we have made sustainability a core competence as part of our Strategy 2025, which means that we are consistently aligning our entire organisation with actions that reflect this. However, providing our customers with resource-efficient solutions that make a direct contribution to reducing energy consumption and pollutant emissions has always been an integral part of Sto's business model. At the same time, we are firmly and constantly committed to reducing our own carbon footprint.

An explanation of our fundamental understanding of what a sustainable approach means can be found in our Sustainability Report, which we are publishing as a separate document this year for the first time. The report and many other facts on this subject are also available to view on our website.

Thank you very much for placing your trust in Sto.

Rainer Hüttenberger
Spokesman of the Executive Board of STO Management SE as the personally liable partner of Sto SE & Co. KGaA

In line with its guiding principle of 'Building with conscience', the Sto Group aims to develop environmentally friendly and resource-conserving products. This principle was also applied in the development of the first emission-free balcony coating system StoFloor Balcony Aims EB 700.
Photo: Martin Baitinger, Böblingen/Germany

Report of the Supervisory Board

Members of the Supervisory Board

Peter Zürn
Bretzfeld-Weißlensburg/Germany, Kaufmann (merchant), Member of the Supervisory Board since 27 June 2007, Chairperson of the Supervisory Board since 22 June 2022, Chairperson of the Nomination Committee since 22 June 2022

Niels Markmann*
Velbert/Germany, Chairperson of the General Works Council and Chairperson of the Works Council for the North-West Sales Region, Sto SE & Co. KGaA, Member of the Supervisory Board since 24 April 2020, Deputy Chairperson of the Supervisory Board since 22 June 2022, Member of the Finance Committee since 22 June 2022

Maria H. Andersson
Munich/Germany, Family Officer, Partner, Managing Director, Member of the Supervisory Board since 14 June 2017, Chairperson of the Finance Committee, Member of the Audit Committee until 22 June 2022

Thade Bredtmann* (from 22 June 2022)
Pfalzgrafenweiler/Germany, Vice President Human Resources Sto Group, Member of the Supervisory Board since 22 June 2022, Member of the Audit Committee since 22 June 2022

Klaus Dallwitz* (from 22 June 2022)
Maintal/Germany, Order Acceptance and Route Scheduling Administrator, Sto SE & Co. KGaA, Member of the Supervisory Board since 22 June 2022

Catharina van Delden (from 22 June 2022)
Munich/Germany, Entrepreneur, Member of the Supervisory Board since 22 June 2022

Wolfgang Dell* (until 22 June 2022)
Hattersheim/Germany, Plant Technology Maintenance Administrator, Sto SE & Co. KGaA, Member of the Supervisory Board from 1 March 2011 until 22 June 2022, Deputy Chairperson of the Supervisory Board until 22 June 2022, Member of the Audit Committee until 22 June 2022

Petra Hartwig* (from 22 June 2022)
Bad Zwesten/Germany, Trade Union Secretary at IG BCE, District Manager for the district of Freiburg, Member of the Supervisory Board since 22 June 2022

Frank Heßler*
Mannheim/Germany, Political Trade Union Secretary, Deputy Regional Manager of IG BCE for the regional district of Baden-Württemberg, Member of the Supervisory Board since 14 June 2017

Barbara Meister*
Blumberg/Germany, Chairperson of the Stühlingen Works Council, Sto SE & Co. KGaA, Member of the Supervisory Board since 1 June 2010, Member of the Finance Committee, Member of the Audit Committee

Dr Renate Neumann-Schäfer
Überlingen/Germany, Corporate consultant, Economist, Member of the Supervisory Board since 14 June 2017, Chairperson of the Audit Committee, Member of the Finance Committee until 22 June 2022

Cornelia Reinecke (until 22 June 2022)
Emmendingen/Germany, Head of Human Resources and Member of the Management Board of Sick AG, Member of the Supervisory Board from 14 June 2017 to 22 June 2022, Member of the Nomination Committee until 22 June 2022

Roland Schey* (until 22 June 2022)
Tengen/Germany, Head of Finance and Accounting of the Sto Group, Member of the Supervisory Board from 14 June 2017 to 22 June 2022, Member of the Finance Committee until 22 June 2022

Prof. Dr Klaus Peter Sedlbauer
Rottach-Egern/Germany, Chair of Building Physics at the Technical University of Munich, Member of the Supervisory Board since 27 June 2007, Member of the Nomination Committee

Martina Seth* (until 22 June 2022)
Bad Münder/Germany, Head of the Wilhelm-Gefeller Education and Conference Centre of the IG BCE, Member of the Supervisory Board from 14 June 2017 to 22 June 2022

Kirsten Stotmeister (from 22 June 2022)
Waldshut-Tiengen/Germany, Family Office Head of Finance/Treasury, Member of the Supervisory Board since 22 June 2022, Member of the Audit Committee since 22 June 2022, Member of the Finance Committee since 22 June 2022, Member of the Nomination Committee since 22 June 2022

Dr Max-Burkhard Zwosta (until 22 June 2022)
Wittnau/Germany, Chartered accountant and Tax consultant, Member of the Supervisory Board from 27 October 2005 to 22 June 2022, Chairperson of the Supervisory Board until 22 June 2022, Chairperson of the Nomination Committee until 22 June 2022

* Employee representatives

Peter Zürn,
Chairperson of the
Supervisory Board of Sto
SE & Co. KGaA
Photo: Martin Baitinger,
Böblingen/Germany

Dear Shareholders,

The Supervisory Board of Sto SE & Co. KGaA conscientiously and with due diligence fulfilled the duties incumbent upon it by law, the Articles of Association, the German Corporate Governance Code (Deutscher Corporate Governance Kodex, DCGK), and the Internal Rules of Procedure in the year under review. It accompanied the management of the Company by the personally liable partner STO Management SE in an advisory capacity and monitored it continuously. The Supervisory Board stayed informed of all major decisions and in particular, through its chairperson maintained constant contact with the Executive Board of the personally liable partner. The cooperation between the Supervisory Board and the management body was always constructive and characterised by an open, trusting exchange between the parties. The Supervisory Board was regularly, promptly, and comprehensively informed of all issues of importance to the Company and the Group; this included regular information on risks and monthly updates in between the regular meetings. The Supervisory Board discussed all relevant contents in both their regular meetings and their committees.

The focus was on the current situation of the Company and the Group, the business policy, planning including financial, investment and personnel planning, the income situation, the business development of the individual company and the Group, the opportunities and risks, risk management, the compliance situation, and sustainability issues relating to the Sto Group and its products. The Members of the Supervisory Board also comprehensively reviewed and gave conscientious advice on decisions and measures taken by the Executive Board of the personally liable partner, with the preparations of the responsible committees plus extensive templates and background information often serving as the basis for this. In decisions that were of crucial importance, the Supervisory Board was always involved immediately.

Furthermore, the Supervisory Board continually obtained assurances that the actions of the Executive Board of the personally liable partner STO Management SE were legitimate, orderly, and fit for purpose. None of the members of the Supervisory Board had any conflicts of interest regarding the execution of their offices during the reporting period. No member of the Supervisory Board was absent from half or more sessions during the period in which they belonged to the Board. Participation by the members can be seen in the matrix later in this document, which shows the meetings of the Supervisory Board and its committees, and specifies the type of participation (hybrid, virtual, or in person). This information also takes account of the changes to some members as a result of the regular

elections that took place in the 2022 financial year. A preliminary meeting of the shareholder and employee representatives was routinely held for the purpose of discussing information prior to the regular Supervisory Board meetings, with the exception of the meeting on the day of the Annual General Meeting.

Key issues dealt with and committee work by the Supervisory Board

During the 2022 financial year, the Supervisory Board held six regular meetings: on 21 April, 28 July, 27 October, and 15 December 2022 as well as on 22 June. On that day, one meeting took place prior to the Annual General Meeting in which the Supervisory Board elections took place, and one constituent meeting of the newly elected Supervisory Board was held after the Annual General Meeting. The Supervisory Board was quorate and able to pass resolutions at all times.

As part of a special organisational meeting on 18 January 2022, the Supervisory Board took an in-depth look at the efficiency of its work and the areas in which there was potential for improvement; this involved an efficiency review in accordance with Item D.12 of the German Corporate Governance Code. Additionally, issues relating to the efficiency of activities and monitoring were routinely addressed in other regular meetings of the Supervisory Board, even if the personally liable partner or its Executive Board was not able to attend.

As part of the organisational meeting on 18 January 2022, as a special point of focus in the professional-development session on 26 April 2022, in the constituent meeting on 22 June 2022, and in the meeting on 28 July 2022, the Supervisory Board undertook training on current issues and requirements for Supervisory Board activities. This training was provided by internal and external advisors appointed by the Supervisory Board, and its costs were covered by the Company. The areas of focus were the impact of changes arising from the Finanzmarktintegritätsstärkungsgesetz (German Financial Market Integrity Strengthening Act, FISG) and its implementation, the changes to the German Corporate Governance Code, and the regulation and implementation of sustainability-related measures. The trainings that took place in the constituent meeting and in the meeting on 28 July 2022 were part of onboarding measures and a repetition of the legal and organisational framework training that underpins the Supervisory Board activities and is held after the Supervisory Board is elected.

The Executive Board of the personally liable partner STO Management SE was present at the meetings of the Supervisory Board unless topics had to be discussed in their absence. Therefore, the Supervisory Board also met regularly without the personally liable partner and its Executive Board, especially when dealing with issues relating to efficiency and organisation.

Due to the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (COVID-19 Act), meetings of the Supervisory Board and its committees during the 2022 financial year were primarily conducted via video conferences or hybrid meetings; in-person meetings were also able to resume in the second half of the year. Decisions on what type of meeting to hold were made on the basis of observations about the general and specific situation surrounding the coronavirus pandemic, and the level of risk. The type of meeting held in each case can also be seen in the meeting matrix later in this document.

At all of the meetings in 2022, the Supervisory Board dealt in depth with the market situation and the current development of the Sto Group, Sto SE & Co. KGaA, the regional segments, and the associated Sto companies, plus the strategy, opportunities and risks, personnel and financial matters, compliance topics, investments, and Group planning. Other dominant topics of the Supervisory Board's work, which the committees discussed intensively throughout the entire reporting period and for which they examined possible measures, were the upheaval on the international procurement and energy markets, the coronavirus pandemic that persisted throughout the 2022 financial year, including the manifold effects on employees, the companies and business partners of the Sto Group, as well as the Russia-Ukraine conflict.

Outside of the meetings, through reporting and risk updates in the form of regular interim reports usually at least once a month, the Supervisory Board was thoroughly briefed on the current status quo regarding the coronavirus pandemic, the Russia-Ukraine conflict and its direct and indirect consequences – particularly in relation to matters associated with raw materials and procurement –, and business development. The Chairperson of the Supervisory Board maintained close and regular dialogue with the Executive Board of the personally liable partner and the chairperson of the Audit Committee.

Another focus of the first ordinary meeting on 21 April 2022, was the examination of the Annual financial statement and the Management report for Sto SE & Co. KGaA which incorporated the details discussed by the Audit Committee, as well as the Consolidated annual financial statement of the Sto Group, and the Group management report, including the Sustainability Report, for the 2021 financial year. The auditor reported the results of their audit at this Supervisory Board meeting and explained the key points of the audit. The Chairperson of the Audit Committee, who had looked at the documents in depth beforehand, also reported on the audit and the discussion of the financial statements, the Sustainability Report, and the Dependent company report in accordance with Sections 312 et. seq. of the German Stock Corporation Act (AktG). The Executive Board of the personally liable partner STO Management SE provided a report on the other mandatory publications, especially the Corporate governance report and Sustainability Report. The non-financial statements, in particular those statements and data on Sustainability and Corporate Social Responsibility, were also examined and reviewed by the Supervisory Board. The approval of the Remuneration report in accordance with Section 162 if the German Stock

Corporation Act (AktG) was another subject of deliberation. Following detailed discussions and based on its own extensive audit, the Supervisory Board approved the Annual financial statement of Sto SE & Co. KGaA and the Consolidated annual financial statement of the Sto Group for the 2021 financial year, as well as the Company's Sustainability Report, the Dependent company report, and the Corporate governance report in accordance with Section 171 of the German Stock Corporation Act (AktG).

Furthermore, after thorough discussion, the Supervisory Board approved the report of the Supervisory Board for the 2021 financial year, the organisation of the agenda of the Annual General Meeting on 22 June 2022, and the use of a virtual format for the Annual General Meeting based on the COVID-19 Act, while also ordering voting by electronic absentee ballot, approving the use of a shortened deadline, and allowing potential questions within the statutory period of time by means of electronic communication. The Supervisory Board accepted the proposal for the appropriation of profits by the personally liable partner STO Management SE and also the proposed amendment to the Company's Articles of Association. Furthermore, the Supervisory Board made its nomination proposal to the Annual General Meeting concerning the appointment of the auditor for Sto SE & Co. KGaA (Annual financial statement and Consolidated annual financial statement of the Sto Group) for the 2022 financial year. The Supervisory Board also took an in-depth look at the Nomination Committee's candidate proposal for the regular elections to the Supervisory Board taking place as part of the Annual General Meeting on 22 June 2022. The new candidates proposed for the Supervisory Board were presented comprehensively. This involved extensive discussions of questions surrounding the fulfilment of the targeted competence requirements and independence.

The Supervisory Board also acknowledged and approved the Sto Group's strategic plan, including the 5-year plan for 2022 – 2026, which was discussed in detail, taking into account the details examined in the Finance Committee. Other topics of discussion were key corporate governance measures, corporate compliance measures, and amendments to the Internal Rules of Procedure for the management bodies of first-tier and second-tier subsidiaries.

Issues relating to the sustainability criteria and sustainability strategy adopted by Sto formed another key area of focus, and were considered in the context of factors including the renewal of the syndicated loan agreement involving key performance indicators in the areas of environmental protection and corporate governance.

The preparatory Supervisory Board meeting on 22 June 2022 primarily concerned the Company's Annual General Meeting, which was due to take place in a virtual format that same day.

The Supervisory Board was newly appointed at the Supervisory Board elections held during the company's virtual-format Annual General Meeting on 22 June 2022. For more information on the appointments, please refer to the introductory overview of the members of the Supervisory Board and the meeting matrix later in this document. The constituent meeting of the Supervisory Board took place immediately after the Annual General Meeting, during which Peter Zürn was elected Chairperson of the Supervisory Board. He is succeeding long-standing chairperson Dr Max-Burkhard Zwosta, who did not stand for re-election for age-related reasons. Niels Markmann was elected Deputy Chairperson of the Supervisory Board and succeeded Wolfgang Dell, who also did not stand for re-election. The committees of the Supervisory Board also constituted themselves, and an updated version of the Internal Rules of Procedure was adopted. As mentioned above, an external specialist provided training on corporate compliance issues for Supervisory Board members.

In addition to examining business development in the first half year of 2022, the meeting on 28 July 2022 was mainly concerned with the year-end projections, the current development of the supply chain and challenges in this area, and the impact of the energy crisis that had resulted from the Russia-Ukraine conflict. Other items on the agenda included the intended acquisition of the remaining shares in Sto Italia Srl, investment measures, issues concerning the IT strategy and development of the IT infrastructure (plus the investments associated with this), and the situation of the Sto subsidiary OOO Sto in Russia.

On 27 October 2022, the Supervisory Board focused, in particular, on the projections for the 2022 financial year and on current business development, including in light of the ongoing distortion of the energy, procurement, and transport markets. In addition to various other management measures, Sto's intended withdrawal from Russia was also presented and discussed. Additional subjects of discussion were the acquisition of the remaining shares in the Italian subsidiary Sto Italia Srl, and a comprehensive report on IT risks, security simulations, and regulation of transfer pricing in the Sto Group.

At the final Supervisory Board meeting held on 15 December 2022, the main items on the agenda were planning for the 2023 financial year for both Sto SE & Co. KGaA and the Sto Group, and assessing the 2022 business development. The Sto Group's M&A strategy was also discussed extensively at the meeting. Other topics included the auditor's preliminary audit and audit planning of the Annual financial statement and Consolidated annual financial statement of the Sto Group for the 2022 financial year for Sto SE & Co. KGaA, the risk assessment and provisions for loss, and the adoption of the Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG). There were also discussions on the impact of the 2022 German Corporate Governance Code on sustainability and the role of the issues and developments arising from this in the Company's sustainability strategy. Additionally, the Sto Group's innovations in the area of modular construction and its intended investments in research and development were a particular area of focus.

Overview of participation in Supervisory Board meetings in 2022

Supervisory Board meetings: Who/when	18 January 2022 (v)	21 April 2022 (v)	26 April 2022 (v)	22 June 2022 (SB old) (v)	22 June 2022 (SB new) (v)	28 July 2022	27 October 2022	15 December 2022 (h)
Zürn, Peter	√	√	√	√	√	√	√	√
Markmann, Niels	√	√	√	√	√	√	√	√
Andersson, Maria H.	√	√	√	√	√	√	√	√
Bredtmann, Thade #					√	√	√	√
Dallwitz, Klaus #					√	√	√	√
van Delden, Catharina #					√	√	√	√ (v)
Dell, Wolfgang*	√	√	√	√				
Hartwig, Petra #					√	√	√	√
Heßler, Frank	√	√	√	√	√		√	√
Meister, Barbara	√	√	√	√	√	√	√	√
Dr Neumann-Schäfer, Renate	√	√	√	√	√	√	√	√
Reinecke, Cornelia*	√	√		√				
Schey, Roland*	√	√	√	√				
Prof. Dr Sedlbauer, Klaus Peter	√	√	√	√	√	√	√	√ (v)
Seth, Martina*	√	√	√	√				
Stotmeister, Kirsten #					√	√	√	√ (v)
Dr Zwosta, Max-Burkhard*	√	√	√	√				

*until 22 June 2022 / # from 22 June 2022 / (v) virtual / (h) hybrid

Overview of participation in committee meetings in 2022

Committee meetings (Audit Committee (A) / Finance Committee (F) / Nomination Committee (N)): who/when	19 April 2022 (v) N	20 April 2022 (v) A / F	27 July 2022 A / F	26 October 2022 A / F	14 December 2022 A / F
Zürn, Peter (N#)			√	√	√
Markmann, Niels (F#)			√	√	√
Andersson, Maria H. (F/A*)		√	√	√	√
Bredtmann, Thade # (A)			√	√	√
Dell, Wolfgang* (A)		√			
Meister, Barbara (A/F)		√	√	√	√
Dr Neumann-Schäfer, Renate (A/F*)		√	√	√	√
Reinecke, Cornelia* (N)	√				
Schey, Roland* (F)		√			
Prof. Dr Sedlbauer, Klaus Peter (N)	√				
Stotmeister, Kirsten # (A/F/N)			√	√	√
Dr Zwosta, Max-Burkhard* (N)	√	√			

*until 22 June 2022 / # from 22 Juni 2022
Mr Zürn and Dr Zwosta sat in as guests at A and F meetings for informational purposes.

At the meeting held on 15 December 2022, the amended competence profile for the Supervisory Board was approved by the entire Supervisory Board in the absence of the personally liable partner.

Supervisory Board committees
In the 2022 financial year, the Supervisory Board of Sto SE & Co. KGaA formed a Nomination Committee, an Audit Committee, and a Finance Committee. The committees were also formed once again by the newly appointed Supervisory Board following the elections. For information on the committee appointments in the 2022 financial year, please refer to the introductory overview of the members of the Supervisory Board and the meeting matrix above. These bodies made preparations for the agenda items to be discussed by the Supervisory Board and the decisions which need to be taken.

The Nomination Committee met on 19 April 2022 to agree on and resolve the nomination proposal to the full Supervisory Board ahead of the Supervisory Board elections due to take place on 22 June 2022, working on the basis of the selection criteria defined and groundwork laid in 2021. In advance of this, exploratory and preparatory discussions took place between the Chairperson and potential candidates. These were discussed with the members of the Nomination Committee outside the meetings.

The Audit Committee and the Finance Committee each held four meetings in the 2022 financial year. Major topics for the Audit Committee were the 2021 Annual financial statement and Consolidated annual financial statement for Sto SE & Co. KGaA, the Management reports, the Dependent company report, the Auditor's report, and other mandatory reports, including the Sustainability Report. Other items on the agenda included current business development, the latest projections for the year as a whole, and the 2022 half-year report. Furthermore, the members of the Audit Committee discussed issues of compliance management, the effectiveness of the internal control and risk management system and internal audit, and sustainability. The Chairperson of the Audit Committee also held one-on-one discussions with the company auditor outside of the meetings, including discussions without the involvement of the personally liable partner.

The Finance Committee primarily examined the important corporate governance issues of STO Management SE, the financing of Group companies, Group planning, and upcoming investment and financing measures. Investments in IT measures and further developments were also discussed in detail. Other subjects of in-depth deliberation were the acquisition of the remaining shares in Sto Italia Srl and how Sto should proceed in regard to its business activities in Russia.

In light of the particular challenges posed by the ongoing coronavirus pandemic, the distortion of the international procurement markets, and the Russia-Ukraine conflict, the Chairperson of the Supervisory Board attended the meetings of the Audit Committee, the Finance Committee, and the full Supervisory Board in the 2022 financial year after arranging this with them.

Corporate governance and Declaration of compliance
In the year under review, the Supervisory Board of Sto SE & Co. KGaA duly addressed the principles, recommendations, and suggestions of the German Corporate Governance Code in its updated version of 28 April 2022. A Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) was issued in December 2022 and is available on the company's website along with older versions of the declaration. Further details can be found in the Corporate governance report in the 2022 Annual Report.

Audit of the annual financial statement
On 22 June 2022, the Annual General Meeting of Sto SE & Co. KGaA appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany, to act as the auditor and Group auditor for the 2022 financial year. It audited the following reports for the 2022 financial year prepared by the Executive Board of the personally liable partner STO Management SE: the Annual financial statement of Sto SE & Co. KGaA, the Management report, the Consolidated annual financial statement of the Sto Group, the Group management report as well as the Dependent company report in accordance with Sections 312, 278 of the German Stock Corporation Act (AktG), and the Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG). The responsible chartered accountant with respect to Section 319a (1) sentence 4 of the German Commercial Code (HGB) was Kai Mauden. The auditor determined that the consolidated annual financial statement and the consolidated annual financial statement of Sto SE & Co. KGaA comply in all material respects with the stipulations of German commercial law, with the IFRSs as they are to be applied in the EU, and with German legal regulations to be applied in accordance with Section 315e (1) of the German Commercial Code (HGB), that they give a true and fair view of the assets, liabilities, financial position and profit or loss in accordance with the generally accepted accounting principles in Germany, and that the annual financial statement and the consolidated annual financial statement of Sto SE & Co. KGaA give a true and fair view of the Company's and the Group's situation. In all material respects, the Management report and Group management report are consistent with the Annual financial statement and Consolidated annual financial statement, comply with German legal regulations and accurately presents the opportunities and risks of future development. In addition, the auditor determined that the early risk detection system within the meaning of Section 91 (2) of the German Stock Corporation Act (AktG) is suitable in all material respects for the early detection, with sufficient certainty, of developments that could jeopardise the continued existence of the Company. Moreover, the chartered accountant formally verified that the disclosures required under Section 162 (1) and (2) of the German Stock Corporation Act (AktG) – insofar as applicable due to the legal form of organisation – had been provided. The auditor therefore issued an unreserved Independent Auditor's Report in each case.

The Supervisory Board of Sto SE & Co. KGaA (from left): Barbara Meister, Maria H. Andersson, Niels Markmann, Kirsten Stotmeister, Klaus Dallwitz, Peter Zürn, Prof. Dr Klaus Peter Sedlbauer, Frank Heßler, Dr Renate Neumann-Schäfer, Thade Bredtmann, Catharina van Delden, and Petra Hartwig.
Photo: Martin Baitinger, Böblingen/Germany

The Annual financial statement of the Company and the Group, the Management reports, and the auditor's reports, as well as statements to be published in the Annual Report which were not to be reviewed by the auditor, the Remuneration report, and the Sustainability Report were distributed to all Supervisory Board members in a timely manner. The Audit Committee pre-examined these documents in its meeting held on 19 April 2023. In advance of the committee and Supervisory Board meeting, other preliminary examinations and explanatory meetings were held between the Executive Board of the personally liable partner STO Management SE, the Chairperson of the Supervisory Board, and the Chairperson of the Audit Committee to discuss key audit matters. At the Supervisory Board meeting on 20 April 2023, the financial statements, reports, and declarations were discussed and reviewed in detail. Auditor representatives were present at both meetings to report on the audit results and provide additional information when requested, even in the absence of the Executive Board of the personally liable partner STO Management SE. They confirmed to the Supervisory Board the effectiveness of the monitoring systems within the scope of Section 91 (2) of the German Stock Corporation Act (AktG). The auditors also confirmed in writing that, apart from the audit, they did not provide the Company with any other significant services in the 2022 financial year and that there were no circumstances that could impair their independence as auditors.

For the Dependent company report, the auditor issued the following Independent Auditor's Report: 'Following our audit and assessment in accordance with professional standards, we confirm that 1) the factual information in the report is correct, 2) the consideration given by the Company for the legal transactions listed in the report was not inappropriately high or disadvantages were compensated for, 3) there are no circumstances in the measures listed in the report that would indicate a materially different assessment than that of the legal representative'.

The Supervisory Board carried out its own in-depth audit of the Annual financial statements, the Management reports of Sto SE & Co. KGaA and the Sto Group, the statements

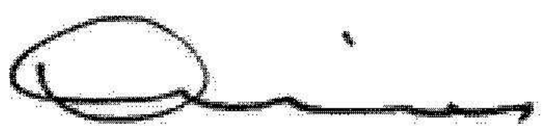
to be published in the Annual Report which were not to be reviewed by the auditor, the Sustainability Report, and the Remuneration report, and did not have any objections. The Supervisory Board has approved the following reports prepared by the Executive Board of the personally liable partner STO Management SE: the Annual financial statement of Sto SE & Co. KGaA and the Consolidated annual statement for 2022 in accordance with Section 171 of the German Stock Corporation Act (AktG) as well as the Dependent company report. At the Annual General Meeting to be held on 21 June 2023, the Supervisory Board will hence propose the approval of the Annual financial statement of Sto SE & Co. KGaA for the 2022 financial year and the approval of the Remuneration report prepared and audited in accordance with Section 162 of the German Stock Corporation Act (AktG). The non-financial statements, in particular those statements and data on Sustainability and Corporate Social Responsibility, and on EU Taxonomy, have been reviewed by the Supervisory Board and judged to be accurate in their analysis and objective.

The Supervisory Board agrees to the proposal of the personally liable partner STO Management SE to recommend a dividend payout of EUR 31,896,720.00 at the Annual General Meeting. This means that limited preference shareholders are due to receive an ordinary dividend of EUR 0.31 and a bonus of EUR 4.69 per share, and limited ordinary shareholders are due to receive an ordinary dividend of EUR 0.25 plus a bonus of EUR 4.69 per share.

Personnel-related matters
As previously explained, the 2022 financial year saw some changes of personnel on the Supervisory Board and in the make-up of committees as part of the Supervisory Board elections. The composition of the Supervisory Board and its committees can be viewed in the meeting matrix and introductory overview. We extend our thanks to all the members of the Supervisory Board who retired in 2022 for their many years of faithful service, their excellent work, and the dedication they have shown to Sto.

On behalf of the entire Supervisory Board, I would like to thank all employees of Sto SE & Co. KGaA as well as the members of the Executive Board of the personally liable partner STO Management SE for the commitment they have shown in the year under review, the flexibility that they had to adopt to overcome the major challenges encountered, and their impressive achievements. We wish the whole team the best of health and much success in mastering the tasks that lie ahead in the current financial year, which will be no less demanding.

Stühlingen/Germany, 20 April 2023



Peter Zürn
Chairperson of the Supervisory
Board of Sto SE & Co. KGaA

The Sto share

Sto limited preference share data

Ticker symbol	STO3
ISIN	DE0007274136
WKN	727413
Share category	Non-voting preference share
Market segment	Regulated market
Level of transparency	General Standard
Sector according to Deutsche Börse AG	Consumer
Subsector according to Deutsche Börse AG	Home Construction & Furnishings
Number of limited preference shares	2,538,000
Number of non-listed limited ordinary shares	4,320,000

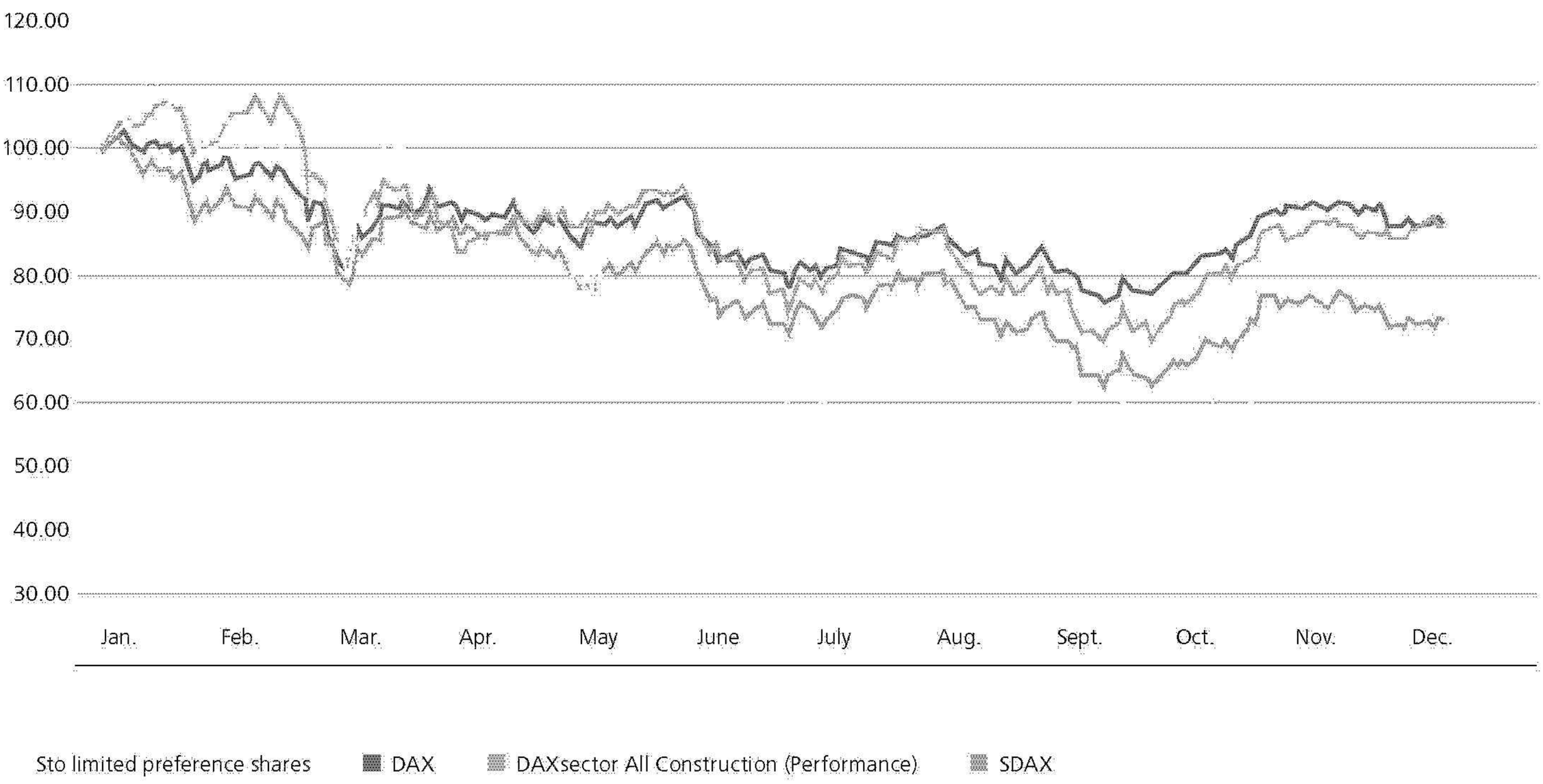
2022 on the share markets

International share markets experience heavy losses

In 2022, stock exchanges across the world were heavily influenced by the Russia-Ukraine conflict, which not only inflicted a huge amount of humanitarian suffering but also led to considerable geopolitical dislocations. The war caused inflation to rise even faster than it had been already. In turn, this put the central banks under even more pressure to increase key interest rates, resulting in a dramatic decline in share prices. However, they recovered significantly in the final quarter – a recovery which was driven by downward US inflation and was also facilitated by the ending of the coronavirus restrictions in China. Another factor in Germany was that the feared gas rationing in winter did not have to be implemented after all and that the economic figures remained well below the very negative expectations.

Overall, the German DAX benchmark index was down by 12.3 % at the end of 2022, meaning that its performance was relatively strong in comparison with other indices across the globe. For example, the American S&P 500 benchmark index suffered because of the high proportion of interest-sensitive technology shares, falling by 20.6 % in the year under review. Nevertheless, the dramatic increase in interest rates still left

Share price trend 01 Jan 2022 – 31 Dec 2022
(indexed on 30 December 2021 = 100), Frankfurt stock exchange, XETRA



its mark on the German share market. Substantial losses were experienced in various areas, including property shares, where the higher financing costs and decrease in demand for residential property became noticeable. In 2022, the MDAX fell by 28.5 %, with the SDAX shares also losing 27.3 % of their value in comparison to the previous year.

The value of German construction shares also declined, with the construction sector index on the Frankfurt Stock Exchange falling by 11.8 % year-on-year.

Share price of the Sto share below previous year

The Sto share was not able to escape the global negative trend either. The price reached its annual high of EUR 252.00 as early as 12 January 2022 before losing significant value in parallel with the overall market following the outbreak of the Russia-Ukraine conflict. After a period of extreme volatility, the share hit its annual low of EUR 116.60 on 14 October 2022 before stabilising again in the final two months of the year. As at the end of 2022, it was listed at EUR 150.40 in XETRA, the electronic system of the Frankfurt Stock Exchange. Compared to the 2021 closing price of EUR 221.00, this corresponded to a decline of 31.9 %.

The market capitalisation of around 2.538 million Sto limited preference shares decreased from EUR 560.9 million to EUR 381.7 million at the end of the year under review.

Sto limited preference share key figures

	2022	2021
Earnings per preference share	14.06	14.46
Cash flow from operating activities	14.83	17.34
Equity	106.61	94.93
Dividend payout per limited preference share		
Dividend	0.31	0.31
Bonus*	+4.69	+4.69
Share price at year end**	150.40	221.00
Year high**	252.00	230.50
Year low**	116.60	130.80
PER (31 Dec)	10.70	15.28
PER (high)	17.92	15.94
PER (low)	8.29	9.04
Capitalisation of preference shares on 31 Dec (in EUR millions)	381.7	560.9

Values per share in EUR

* 2022: proposal by the personally liable partner STO Management SE and the Supervisory Board

** XETRA closing price

Consolidated earnings

Despite the considerable pressure on the gross profit margin, consolidated EBIT saw a further improvement in the 2022 financial year, increasing by 4.2 % compared to the previous year and reaching its highest ever value of EUR 129.7 million. In 2022, the tax rate was again higher (although still below the average tax rate for the years 2017–2020), which resulted in Group earnings after tax (EAT) falling by 5.9 % to EUR 89.1 million. Diluted and basic earnings were EUR 14.06 per limited preference share and EUR 14.00 per limited ordinary share.

Dividend

Pursuant to the accounting principles of the German Commercial Code (HGB), the parent company Sto SE & Co. KGaA reported earnings before income taxes of EUR 87.6 million and a net profit for the year of EUR 62.0 million in 2022.

At the Annual General Meeting on 21 June 2023, the Executive Board of the personally liable partner STO Management SE will propose keeping the dividend payout at the same level as the previous year. This amount of EUR 31,896,720.00 is to be taken from the net income of Sto SE & Co. KGaA, which is calculated in accordance with the German Commercial Code (HGB) and comes to EUR 62.3 million. This means that limited preference shareholders will receive an unchanged ordinary dividend of EUR 0.31 plus a bonus of EUR 4.69 per share, and limited ordinary shareholders will receive an also unchanged ordinary dividend of EUR 0.25 plus a bonus of EUR 4.69 per share. Based on the 2022 closing price of EUR 150.40, this corresponds to a dividend yield of 3.3 % per share for limited preference shareholders.

Trading volume in 2022

During the 2022 financial year, a total of 1,809,698 Sto SE & Co. KGaA limited preference shares were traded in the XETRA electronic system of the Frankfurt Stock Exchange, compared with 1,933,284 shares in the previous year.

Shareholder structure

As at 31 December 2022, the 2.538 million Sto limited preference shares were free float. The number of non-listed limited ordinary shares remained unaltered at 4.320 million. 90 % of these were held by the Stotmeister family via Stotmeister Beteiligungs GmbH. As at the reference date, the remaining 10 % were held by Sto SE & Co. KGaA.

Management report for the Sto Group (IFRS)

Members of the Executive Board of STO Management SE in the financial year of 2022
(personally liable partner of Sto SE & Co. KGaA)

Rainer Hüttenberger
Stein am Rhein/Switzerland, Spokesman of the Executive Board, responsible for Sales Sto Brand International, Business Field Organisation, Corporate Strategic Development, M&A, and the Business Unit Industry, Member of the Executive Board since 1 April 2011

Jan Nissen
Bad Dürrheim/Germany, Chief Technology Officer, responsible for Process Engineering, Innovation, Materials Management, and Logistics, Member of the Executive Board since 1 January 2017

Michael Keller
Bonndorf/Germany, Chief Sales Officer, responsible for Sales Sto Brand Germany, Distribution, Marketing Communications, Sustainability, and Central Services, Member of the Executive Board since 1 July 2015

Rolf Wöhrle
Bad Dürrheim/Germany, Chief Financial Officer, responsible for Finances, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service, Member of the Executive Board since 1 September 2010

The STO Management SE Executive Board (from left): Michael Keller, Rainer Hüttenberger, Jan Nissen, and Rolf Wöhrle.
Photo: Martin Baitinger, Böblingen/Germany

The 2022 financial year at a glance

- Sto continues to grow in 2022 despite the difficult general conditions, and achieves the forecast turnover and earnings objectives
- Consolidated turnover up by 12.4 % to EUR 1,787.4 million compared to previous year
- Intense pressure on the gross profit margin causes EBT return on sales to fall from 8.0 % to 7.2 %
- Consolidated EBIT improves by 4.2 % to EUR 129.7 million and EBT by 0.3 % to EUR 128.3 million, despite enormous hikes in procurement prices
- Cash flow from operating activities amounts to EUR 95.3 million (previous year: EUR 111.4 million)
- Number of employees increases from 5,697 to 5,735 as at the reference date
- Investments in Property, plant, and equipment as well as Intangible assets amount to EUR 47.4 million (previous year: EUR 41.9 million)
- Outlook for 2023: without factoring in the impact of the Russia-Ukraine conflict, Sto expects a turnover of EUR 1.91 billion and EBIT of between EUR 118 million and EUR 143 million

A. Group fundamentals

Business model
Sto is a major international manufacturer of products and systems for building coatings. The Group's product range is divided into four product groups: the core business of **facade systems** mainly comprises external wall insulation systems (EWIS), a segment in which Sto occupies a leading position, and rainscreen cladding facade systems (RSC). Both EWIS and RSC play a key role in the energy efficiency of buildings and hence in sustainability. In the year under review, the product group of facade systems contributed 47.9 % to the Group's consolidated turnover. The product group of **facade coatings**, which accounted for 22.5 % of consolidated turnover in the year under review, includes render and paint systems for external applications. The third group is **products for interiors,** which, for example, includes plaster and paint systems for home and office interiors, as well as decorative coatings, interior claddings, and acoustic systems for regulating sound. In 2022, this product group had a 14.5 % share of turnover. In addition, Sto produces and sells high-quality floor coatings, products for concrete repair and further items which are allocated to **Other product groups**. In the year under review, these accounted for 15.1 % of consolidated turnover.

The key features of our business model are high levels of expertise, quality, and customer benefit. The individual components of the product range are perfectly matched to each other. This **combined expertise** is one of the main factors behind the success of the Sto Group. As well as helping to make the application process more efficient while ensuring long-term conservation of value, it also enables building owners to enjoy the maximum degree of individual design freedom at the same time. In particular, the products from the core business of facade systems are the ideal complement to those from other areas, such as alternative coating materials or facade claddings and design services.

StoTherm AimS® with Sto-Insulation Board Top32 Biomass

StoTherm AimS® is currently the only facade insulation system to include coatings partially based on renewable raw materials. The binders of these cement-free coatings are made from 30 per cent pine oil (obtained from waste from timber processing). This saves fossil raw materials and ensures lower carbon dioxide emissions. The Sto-Insulation Board Top32 Biomass is made from 100 per cent renewable raw materials. If it is installed without adhesive using the StoFix Circonic fastening system, the components of the system can also be separated by type during dismantling.

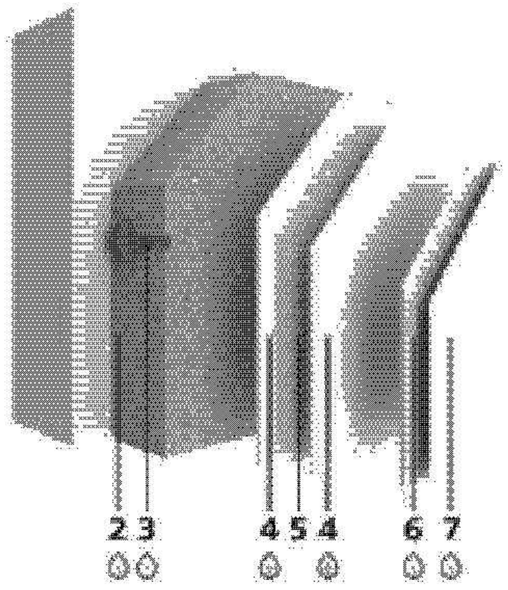


Photo: STEP-ANI-MOTION

1 — *Bonding*
not required if StoFix Circonic fixing is used
2 — Insulation
Sto-Insulation Board Top32 Biomass
3 — Fixing
StoFix Circonic
4 — Base coat
StoArmat Classic AimS®
5 — Reinforcement
Sto-Glass Fibre Mesh
6 — Finish
Stolit AimS®
7 — Paint coat (optional)
StoColor Lotusan AimS®

"sto", our successfully established **international product brand** is another pillar of the business model. It is based on the four core brand values 'Close', 'Experienced', 'Performing', and 'Advanced', and serves as the foundation for our globally unified image.

The company's **capacity for innovation** plays a vital role in the positive profile of the brand and the progress of the Sto Group. On the basis of our intensive research and development activities, we are achieving our desired aim of being a technology leader and tapping into new growth areas for the Group. This direction is evident in our corporate vision: 'Technology leader in the sustainable design of living space tailored to human needs. Worldwide.'. Following a survey conducted by the University of St. Gallen and German business magazine 'WirtschaftsWoche'[1], Sto has had the honour of officially being able to call itself the 'world market leader for external wall insulation systems'.

Group structure

The parent company of the Group is Sto SE & Co. KGaA, headquartered in Stühlingen in the German state of Baden-Württemberg. In addition to functioning as the Group's holding company, it is also responsible for operational business in Germany involving facade systems and coatings, as well as interior products.

The business activities of the Sto Group are divided into three segments: **Western Europe, Northern/Eastern Europe, and America/Asia/Pacific**. Our corporate management is primarily aligned with these.

In **Germany**, there are another eight main companies that are members of the Sto Group alongside Sto SE & Co. KGaA, which all specialise in different areas and product segments. **Outside of Germany**, business is largely handled by national companies operating independently, with their offering tailored to suit the respective local conditions. Some of these companies produce on site, while the remaining products are largely sourced through the Group. A list of all subsidiaries of Sto SE & Co. KGaA is reproduced in the Notes for the Group.

Each of the four **product groups** is overseen by its own team of product managers, who assume responsibility for their products and systems worldwide and are responsible for the strategic positioning of the product range. They coordinate the marketing and sales objectives with the relevant subsidiaries. In this way, they are able to take account of the specific requirements within the individual markets, which sometimes differ considerably from one market to another. In addition, this structure allows us to implement a targeted response to demand in the regions.

[1] Published in the magazine 'WirtschaftsWoche', special issue no. 1, of 7 November 2022.

The business fields are supplemented by central units that provide support to all subsidiaries and product groups. These include, for example, Technical Service and Strategic Marketing. In this way, Sto creates the right conditions for enabling efficient management on a global scale, and for targeted further development of the service portfolio.

Sales markets
Western Europe (including Germany) is the most important regional segment for the Sto Group. In 2022, its share of consolidated turnover amounted to 78.6 %. Germany – the most significant individual market – accounted for 42.6 %. In the year under review, a 10.0 % share of turnover was recorded for **Northern/Eastern Europe** and a share of 11.4 % for **America/Asia/Pacific**.

Sto systematically develops and penetrates new markets as one of its growth initiatives in order to seize existing sales opportunities worldwide and spread the entrepreneurial risk by partially offsetting fluctuations in individual countries in line with the increasing internationalisation of its business activities. As at the end of 2022, the Sto Group was represented in 37 countries with 50 subsidiaries of its own as well as their operating sites. In many other regions, we also maintain supply partnerships via distribution partners.

Sto products are used both in the construction of new buildings and in the renovation of existing buildings all around the world. The degree of importance of these two market segments within the Group depends on the characteristics specific to each country and varies from region to region.

Customers and distribution system
The portfolio of the 'sto' brand is largely distributed via a **direct distribution system**, which – in Germany – covers almost the entire country and is staffed by employees on permanent contracts. The portfolio is targeted at professional customers, such as painters and building contractors. Architects, planning offices, and the real estate industry are also served directly by the company.

For several years now, Sto has been setting up a **multi-stage distribution concept** that relies on wholesalers and specialist retailers with a view to opening up additional customer groups and distribution channels. Via this second distribution channel – which we intend to continue expanding gradually – we exclusively offer selected products that we have clearly defined as distinct from our core business and that have their own brand positioning, such as lacquers and fillers.

Business management control system
The personally liable partner STO Management SE, represented by its Executive Board, is responsible for managing Sto SE & Co. KGaA's business. It develops the Group strategy and ensures its implementation. The parent company Sto SE & Co. KGaA, the segments, and the subsidiaries are controlled and managed by means of strategic and operational targets, as well as financial key figures. These are based on business figures which are uniformly determined throughout the Group and are part of a standardised reporting system.

The primary key operating control parameters that are employed and that also serve as the basis for planning and controlling are: **net turnover**, **EBIT**, **EBT**, and **return on sales** within the Group. Additionally, **ROCE** is used as a key figure for monitoring return on capital employed. It is based on the EBIT divided by the average capital employed.[2]

The reports compiled under this reporting system are submitted directly to the Executive Board of STO Management SE, which then forwards all relevant information to the Sto Supervisory Board. Furthermore, regular management meetings are held between the STO Management SE Executive Board and the executive staff in charge of the Sto SE & Co. KGaA subsidiaries or the sales regions. This system strengthens the decentralised entrepreneurial responsibility of our employees at a local level while also guaranteeing a high degree of transparency within the Group.

In addition to the internal key figures, we also regularly monitor external early indicators as part of our planning processes and as a means of corporate and risk management. Such indicators mainly consist of global economic data and industry information.

Corporate governance statement/Non-financial statement
The specifications relating to the combined Corporate governance statement, as outlined in Sections 315d, 289f, 289a, and 315a of the German Commercial Code (HGB), and the explanations by the personally liable partner can be found in the Corporate governance report. This forms part of the Annual Report. In addition, this information is published online at www.sto.de, where it can be found under the 'Corporate Governance & Compliance' category in the 'Investor Relations' section. The Group management report is supplemented by the non-financial statement in accordance with Section 315b of the German Commercial Code (HGB), which is published as part of a separate Sustainability Report. The latest version can also be viewed online at www.sto.de by going to the 'Investor Relations' section and then to the 'Nachhaltigkeit & CSR' (Sustainability & CSR) category. The report provides information about key sustainability activities in five areas: environmental matters, employee matters, social matters, respect for human rights, and combating of corruption and bribery. It also includes the information that is legally required under the EU Taxonomy Regulation.

[2] ROCE = EBIT divided by average capital employed.
Capital employed = balance sheet values are determined on the basis of an arithmetic average of the respective reference date values at month end for the respective period.
Capital employed = Intangible assets + Property, plant, and equipment + Rights of use + Inventories + Trade receivables ./. Trade payables

Fundamentals of the remuneration system
Sto SE & Co. KGaA does not have an Executive Board due to its legal form, and so its business is conducted by the personally liable partner STO Management SE. In accordance with Section 287 (2) of the German Stock Corporation Act (AktG), it is the sole member of the management body of Sto SE & Co. KGaA. The personally liable partner STO Management SE receives an expense allowance from Sto SE & Co. KGaA in accordance with Section 6 (3) of the latter's Articles of Association for managing the latter's business. The remuneration that is paid to the members of the STO Management SE management body as part of this expense allowance comprises both a fixed and a variable component. The variable component can represent a larger share but is capped at a maximum level. The variable component consists of a long-term incentive, based on the turnover development of the Sto Group and the ROCE key figure of the past three financial years in comparison to the target for this period, as well as a short-term incentive in respect of the current financial year that is dependent on earnings after taxes (EAT). No stock options are granted.

The members of the Supervisory Board of Sto SE & Co. KGaA receive a fixed annual amount of remuneration in accordance with Section 11 of the Articles of Association of Sto SE & Co. KGaA which had been amended at the Annual General Meeting on 22 June 2022. Alongside this, the members of the Supervisory Board receive additional annual remuneration if they serve as the chairperson or deputy chairperson of the Supervisory Board and if they serve as the chairperson or as an ordinary member of a committee.

Further information on the remuneration of administrative bodies within the Company can be found in the Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG) and in the Notes to the consolidated financial statements.

Strategic objectives
The Sto business model is oriented towards long-term success. In our view, this relies on sustainable, solid business management, constant progress, and a financially strong basis. In accordance with our corporate vision, we strive to be the worldwide technology leader in the sustainable design of living space tailored to human needs. We achieve this goal by implementing our mission of 'Building with conscience.', which we have been pursuing since 1988. The corporate vision and other principles on which our practice is based are defined in the Sto Guiding Principles, which provide guidance for all strategic and operational decisions. The Guiding Principles have helped shape the objectives set as part of our Strategy 2025:

- **Sustainable, profitable and capital-efficient growth** – We align our decisions with this overarching corporate objective.
- **Customer focus** – We are an expert, reliable, and flexible partner, and stand for excellent products and services, as well as perceptible sustainability. We offer our customers various options for easy and reliable business transactions.
- **Performance potential** – With our segmented, efficient distribution organisation, we consistently tap market potential all around the world. By drawing on our product and system portfolio, we develop impressive and carefully differentiated complete solutions to cover the entire value chain of our target groups. Integrated, standardised processes – implemented or supported digitally whenever appropriate – are the prerequisite for cost efficiency and productivity.
- **Committed employees** – We increase the commitment of our employees by providing them with systematic and targeted opportunities to enhance their skills and abilities. In order for the strategy to be implemented successfully, it is very important for the corporate culture to be characterised by a willingness to embrace change, which is fostered worldwide. Highly motivated and committed employees embody and ensure the attractiveness of the Company.

We intend to achieve these objectives of the strategy, which was revised in 2020, by focusing specifically on three topics:
- **Accelerating growth,**
- **increasing profit,**
- **and expanding our core competence**

These three key aspects will be realised through a total of 14 core initiatives, which are to be implemented step by step.

B. Financial report

General statement on business development in 2022 and comparison with the forecast

Despite the difficult general conditions, we still achieved the majority of our objectives in the 2022 financial year, setting new historic records for consolidated turnover, EBIT, and EBT in the process. In light of the enormous challenges faced – particularly on the procurement markets – and the extreme pressure exerted on the gross profit margin as a result, this is a formidable success story that was made possible by our employees, who yet again demonstrated extraordinary levels of dedication and commitment.

Compared to the previous year, consolidated turnover was up by 12.4 %. Standing at EUR 1.79 billion (previous year: EUR 1.59 billion), this coincided exactly with the adjusted forecast of August 2022 (original forecast: EUR 1.74 billion). Overall, this increase was attributable to the higher sales prices that Sto had introduced in response to the dramatic cost increases being experienced on the procurement side. Once adjusted for price changes, the turnover volume of the Sto Group in 2022 remained below the previous year's level. After a strong first half of the year, during which the facade area particularly contributed to growth, demand slowed down appreciably over the course of the year. The tense macroeconomic situation was primarily caused by the Russia-Ukraine conflict, which led to considerable uncertainty. In addition, according to information from the German Federal Statistical Office, the building industry as a whole was hit by a shortage of materials and skilled workers, high costs, and rising interest rates, with the result that more and more projects got put on hold over the course of the year.

One of the major challenges of 2022 was the dramatic increase in procurement prices, which was even more severe than the previous year in net terms and exerted considerable pressure on the gross profit margin. Despite the resulting negative impact on earnings, EBIT for the Sto Group totalled EUR 129.7 million, exceeding the previous year's level (previous year: EUR 124.5 million) and falling within the range that we had forecast (forecast: between EUR 114 million and EUR 134 million). EBT totalled EUR 128.3 million (previous year: EUR 127.9 million; forecast: between EUR 112 million and EUR 132 million), resulting in a return on sales of 7.2 % (previous year: 8.0 %; adjusted forecast: between 6.3 % and 7.4 %; original forecast: between 6.4 % and 7.6 %). This means that Sto has once again managed to set new records for itself in terms of EBIT and EBT. Standing at 17.3 %, the ROCE figure (return on capital employed) was also within the expected range (previous year: 18.9 %; forecast: between 15.9 % and 18.7 %).

The financial situation and assets and liabilities situation of the Sto Group remained extremely sound in 2022. The equity ratio improved to 62.4 % (31 December 2021: 56.2 %) and cash stocks amounted to EUR 119.4 million (31 December 2021: EUR 137.1 million). As a result, we still have a solid basis for future business development. Taking borrowings into account, net financial assets stood at EUR 114.4 million at the 2022 year end (31 December 2021: EUR 127.0 million). Cash flow from operating activities stood at EUR 95.3 million (previous year: EUR 111.4 million).

At the Annual General Meeting on 21 June 2023, the personally liable partner STO Management SE will propose via its Executive Board to keep the dividend payout at the same level as the previous year. This payout amount of EUR 31,896,720.00 is to be taken from the net income of Sto SE & Co. KGaA which is calculated in accordance with the German Commercial Code (HGB) and comes to EUR 62.3 million. This means that limited preference shareholders will receive an unchanged ordinary dividend of EUR 0.31 and a bonus of EUR 4.69 per share. Limited ordinary shareholders will again be paid an ordinary dividend of EUR 0.25 and a bonus of EUR 4.69 per share.

At the time of compiling the Group management report, the Executive Board of STO Management SE views the situation of the Sto Group as positive overall in spite of the numerous risks presented in the Risks and opportunities report.

Overall economic and sector-related general conditions in 2022

Global economic development

In 2022, global economic activity was significantly stifled by sharply increasing inflation, the Russia-Ukraine conflict, and the strict lockdowns in China following the resurgence of the coronavirus pandemic. The upheaval of the European energy sector proved to be an additional factor. According to estimates by the International Monetary Fund (IMF), global growth slowed to 3.4 % after an increase of 6.2 % the previous year. From the third quarter onwards, the economy showed a higher level of resilience than expected both with regard to private consumption and corporate investment despite being subjected to significant stress. Moreover, the negative impact within the energy sector and the inflation level were less severe towards the end of the year as had been predicted. The ending of the coronavirus measures in China, which came as a surprise, also helped to spur further economic development.

According to IMF estimates, the industrialised countries experienced growth of 2.7 % in 2022. The USA saw an increase of 2.0 %, while the eurozone economy grew by 3.5 %. This was mainly down to the strong performance in Spain (+5.2 %) and Italy (+3.9 %). Within the developing and emerging countries, which expanded by 3.9 % in total, the main drivers of growth were India (+6.8 %) and the other Asian emerging countries (+4.3 %). In China, growth fell from the previous year's figure

of 8.4 % to 3.0 %. The significant decline in growth in the world's second largest economy had a substantial effect on global trade and international raw materials prices.

Overall, the German economy managed to stand its ground well in 2022 in spite of the extremely difficult general conditions. According to calculations by the Federal Statistical Office (Destatis), gross domestic product (GDP) rose by 1.8 %. The situation was primarily influenced by the consequences of the Russia-Ukraine conflict and extreme hikes in energy prices. Additional factors that came into play were material and supply bottlenecks due to disrupted supply chains, strongly rising inflation, the shortage of skilled workers, and the coronavirus pandemic restrictions that remained in place albeit in a less strict form.

According to data published by the Federal Statistical Office, the level of development within the individual economic sectors varied a great deal. For instance, some service sectors and the hospitality industry benefited from the abolition of virtually all coronavirus protective measures and experienced catch-up effects. By contrast, the economic performance of the manufacturing industry was constrained by the high energy prices, the restricted availability of raw materials and primary products, and the disruption of international supply chains – a problem that was particularly acute in the first half of the year.

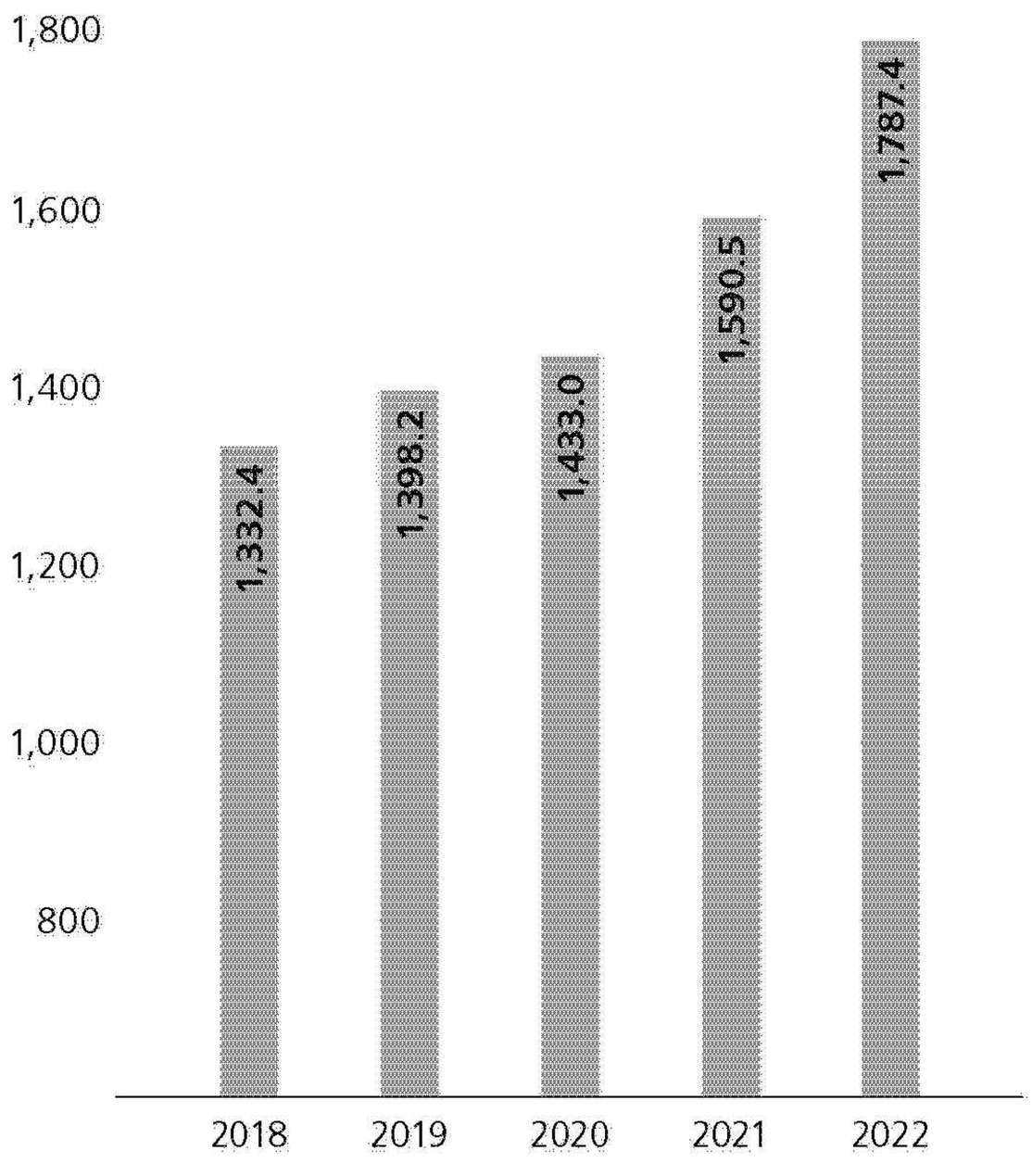
On the demand side, private consumer spending in 2022 was the main factor bolstering the German economy. Once adjusted for price changes, this rose by 4.6 % compared to the previous year. After two years that were heavily dominated by the coronavirus pandemic, public consumer spending increased moderately by 1.1 %.

International trends for the construction sector
According to information from the German Federal Statistical Office, incoming orders within the **German main construction sector** fell by 9.6 % in 2022 in real terms (once adjusted for price changes), although they were nominally 4.8 % higher than the previous year's level. Nominally, turnover declined by 5.8 % in real terms compared to 2021 but without any adjustment for price changes it actually rose by 9.8 % and reached a new record level. According to Destatis, the declines were particularly pronounced on the already strained housing market, with 6.9 % fewer dwellings receiving planning permission in 2022. The rates of decline were especially severe in the construction sectors of single-family homes (down by 16.8 %) and two-family homes (down by 13.8 %). Within the multiple-dwelling segment – which is of great importance to Sto – the 1.6 % decrease in the number of planning permission approvals was comparatively small. This was mainly due to a strong first half year, although a downswing did establish itself in the second half of the year.

According to data from the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry), quantities decreased by 7 % in 2022 in the sub-segment of the German paint and printing ink industry that is of relevance to Sto, i.e. architectural coatings. In this regard, both the DIY segment, where the 'sto' brand is not positioned, and the professional segment remained below the previous year's values due to the weak development of the construction industry. According to provisional information from the market research institute B+L Marktdaten GmbH, within the EWIS market, sales in Germany fell slightly by 0.8 % as compared to a 3.4 % increase the previous year.

According to EUROCONSTRUCT, the area of **European construction services** grew in 2022 in spite of numerous challenges because virtually no coronavirus-related restrictions remained in place on construction sites. However, the increase was much smaller than the previous year. In the year under review, there were several negative influencing factors standing in the way of economic recovery and the demand for catching up. In particular, the considerably higher construction prices and much more expensive financing led to various projects being postponed or to new ones being cancelled, which is going to have an increasing impact in the coming months. EU-wide production within the construction industry also slowed significantly over the course of the year according to calculations from Eurostat: although an increase of 5.3 % was recorded in the first quarter compared to the corresponding period of the previous year, this was followed by an increase of only 2.0 % in the second quarter and 1.3 % in the third. In October and November, gains of 1.9 % and 1.3 % were reported respectively.

Sto Group turnover
in EUR million



GTAI (Germany Trade & Invest) estimates that the construction industry in the **USA** grew in 2022, although there was a noticeable scaling back of expectations in the course of the year. It was in the area of building construction, in particular, that investments increasingly lost momentum. The main reasons for this were the ongoing supply chain problems, the shortage of skilled workers, and the rising financing costs.

In the **Chinese construction sector**, strong declines were recorded for 2022. According to information from the National Bureau of Statistics, the first eight months of the year saw a reduction of around 37 % in the construction of new buildings when measured in terms of surface area. Not only that but land purchases by real estate companies fell by nearly half compared to the same period of the previous year, with real estate sales dropping by around 28 % in terms of value. The biggest drop – at more than 30 % – was in the apartment sector.

Income situation

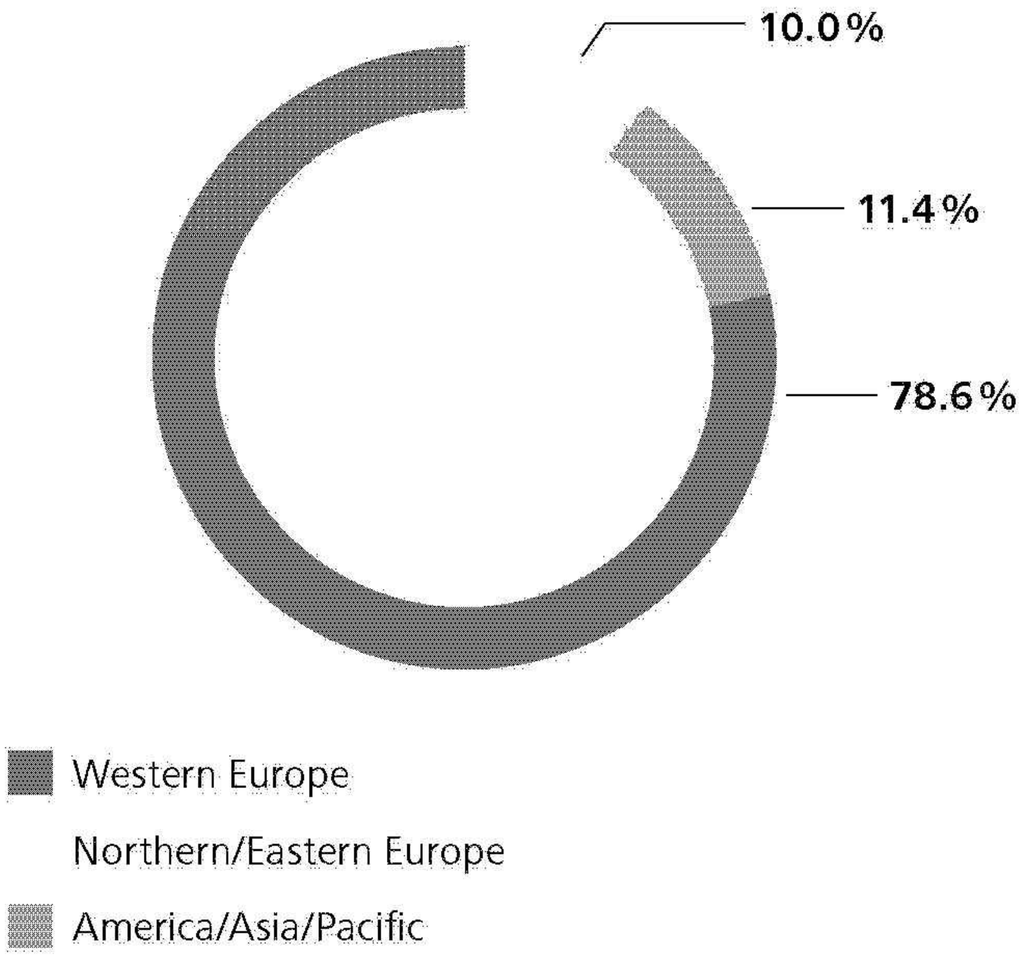
In the 2022 financial year, the turnover of the Sto Group increased by 12.4 % to a new historic high of EUR 1,787.4 million (previous year: EUR 1,590.5 million). Out of the total growth of EUR 196.9 million, EUR 177.4 million was organic. First-time consolidation effects generated an increase in turnover of EUR 4.8 million and currency translations produced a positive effect of EUR 14.7 million. In comparison to the previous year, the main currencies that were revalued upwards were the US dollar, the Swiss franc, and the Chinese renminbi. The ones that depreciated included, in particular, the Turkish lira, the Hungarian forint, and the Swedish krona. When expressed in national currencies – i.e. adjusted for currency translation effects – the Sto Group experienced a growth in turnover of 11.5 %; excluding first-time consolidation and currency translation effects, the rate was 11.2 %.

Within the segment of **Western Europe** – including Germany – turnover increased by 12.7 % in 2022 to EUR 1,405.3 million (previous year: EUR 1,246.5 million). Without taking the first-time consolidation effect into account, the increase was 12.4 %. The companies in Italy and France achieved especially high growth due to the successful government incentives provided in these countries for energy-efficient building refurbishment. In Switzerland, positive currency translation effects also had a notable impact. Excluding first-time consolidation and currency translation effects, the resulting level of organic growth in Western Europe was 11.9 %.

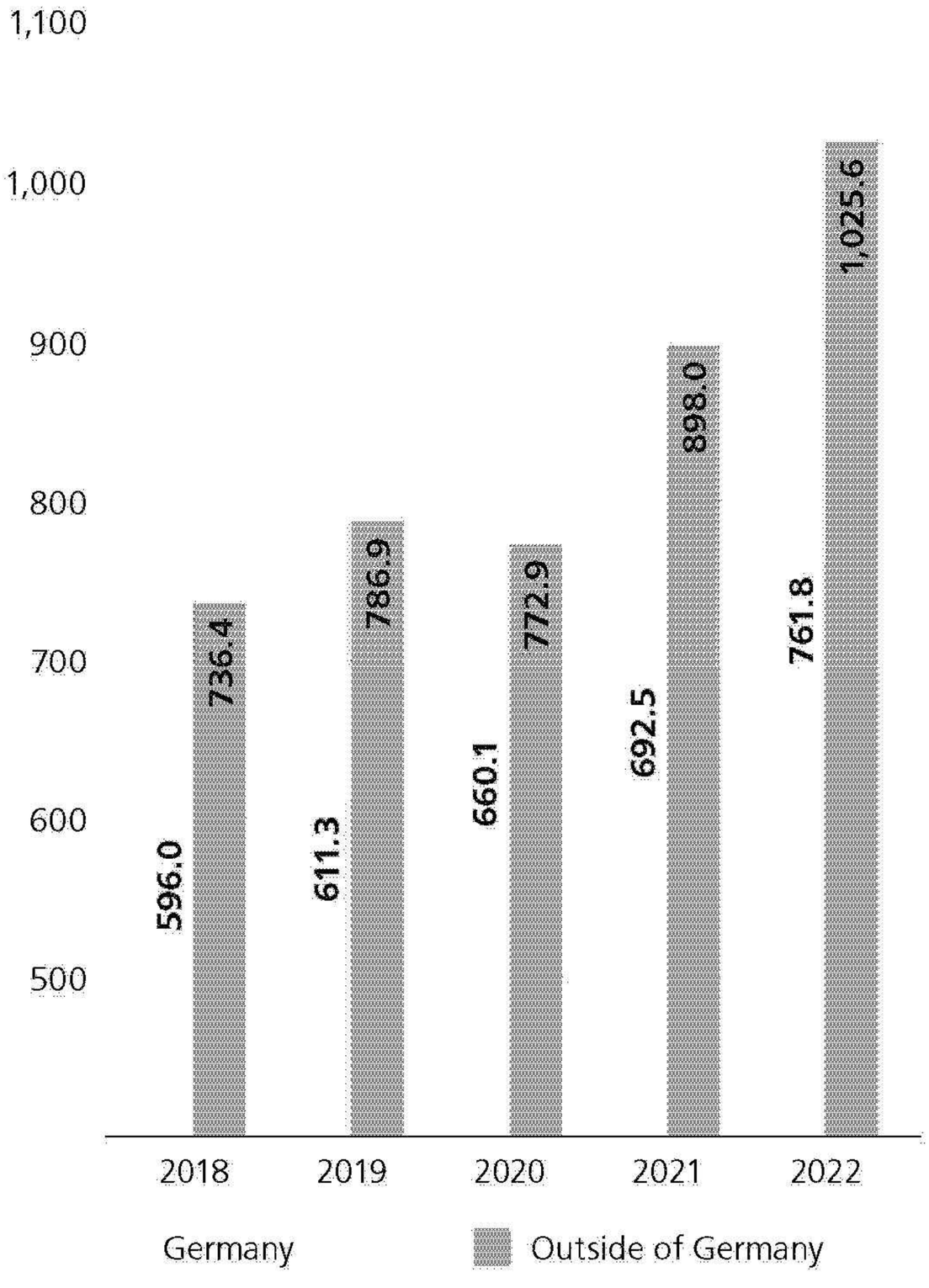
A net increase of 14.0 % to EUR 177.8 million (previous year: EUR 155.9 million) was achieved in the segment of **Northern/Eastern Europe**. Apart from a few exceptions, good business development was achieved in both the north and east European Sto companies. When calculated on the basis of the respective national currencies, significant growth of 20.7 % was achieved.

Within the segment of **America/Asia/Pacific,** there was a strong trend in the opposite direction. While the growth of the U.S.-based company was supported by considerable currency translation effects, business in China suffered a

Sto Group segment turnover
in %



Sto Group turnover in Germany and outside of Germany
in EUR million



massive decline. The key factors behind the decline in Chinese sales, which the positive currency effect came nowhere near compensating, were the repeated lockdowns that were introduced to contain the coronavirus pandemic and the extreme competitive pressure. In total, segment turnover increased by 8.6 % to EUR 204.3 million (previous year: EUR 188.2 million); once adjusted for currency translation effects, this equates to a decline of 1.8 % when expressed in national currencies.

In **Germany,** the turnover of the Sto Group increased by 10.0 % in 2022 to EUR 761.8 million (previous year: EUR 692.5 million); once adjusted for first-time consolidation effects, the domestic increase was 9.3 %. **Outside of Germany**, turnover grew by 14.2 % overall to EUR 1,025.6 million (previous year: EUR 898.0 million). The main factors at play here were government initiatives for promoting energy efficiency within buildings, which boosted demand for facade systems in the countries concerned. Once adjusted for the net positive currency translation effects, the volume of turnover achieved outside of Germany increased by 12.6 %, with the share of Sto Group turnover generated outside of Germany rising from 56.5 % to 57.4 % compared to the previous year.

Within the **product group** of facade systems – which contributed 47.9 % to total Group turnover – turnover increased by 15.7 % to EUR 856.2 million in the year under review (previous year: EUR 740.0 million). Overall, the market (particularly in Germany) was characterised by an increasing amount of reticence over the course of the year. This was caused, among other things, by strongly rising construction and material prices, high inflation, the decline in subsidy schemes for new building projects, rising mortgage interest rates, and also as a result of projects having to be postponed due to delays on construction sites in relation to preceding construction stages. By contrast, several companies were able to benefit substantially from government funding programmes outside of Germany and managed to achieve high levels of growth.

Within the product group of facade coatings, turnover – which amounted to EUR 402.1 million – was 13.4 % above the previous year's level overall (previous year: EUR 354.6 million), with the share in Group turnover amounting to 22.5 %.

Turnover generated by interior products, which made up 14.5 % of consolidated turnover, increased by 4.4 % to EUR 258.9 million (previous year: EUR 247.9 million) as a result of price increases. One area that experienced a particular decline in volume was that of interior coatings.

Other product groups, which had a 15.1 % share in consolidated turnover, achieved a 9.0 % increase to EUR 270.2 million (previous year: EUR 248.0 million).

The substantial rises in procurement costs could not be fully compensated through price increases of our own and via compensation measures. As a result, the **cost of material** in 2022 increased by 16.3 % to EUR 884.8 million compared to the previous year's level, which had already been high (previous year: EUR 760.5 million); thus, it increased more strongly than turnover once again. Up until the middle of the year, hefty cost increases were recorded in virtually all areas. A more differentiated picture then developed in the second half of the year: in some cases, there was a drop in the price of certain raw materials that are also used in other industrial sectors severely affected by economic slowdown; however, other prices continued to increase massively, particularly in the case of energy-intensive materials and bought-in products.

Sto countered the development of prices by building up stocks and optimising procurement planning and, as a result, was largely able to ensure its ability to deliver and, in turn, supply reliability for customers. In addition, it introduced some urgently required increases in sales prices. The Sto Group's total revenues increased by 11.7 % to EUR 1,793.2 million (previous year: EUR 1,604.9 million). By contrast, **gross profit** only rose by 7.6 % to EUR 908.4 million in 2022 (previous year: EUR 844.4 million), and the gross margin rate fell significantly compared to the previous year from 52.6 % to 50.7 %.

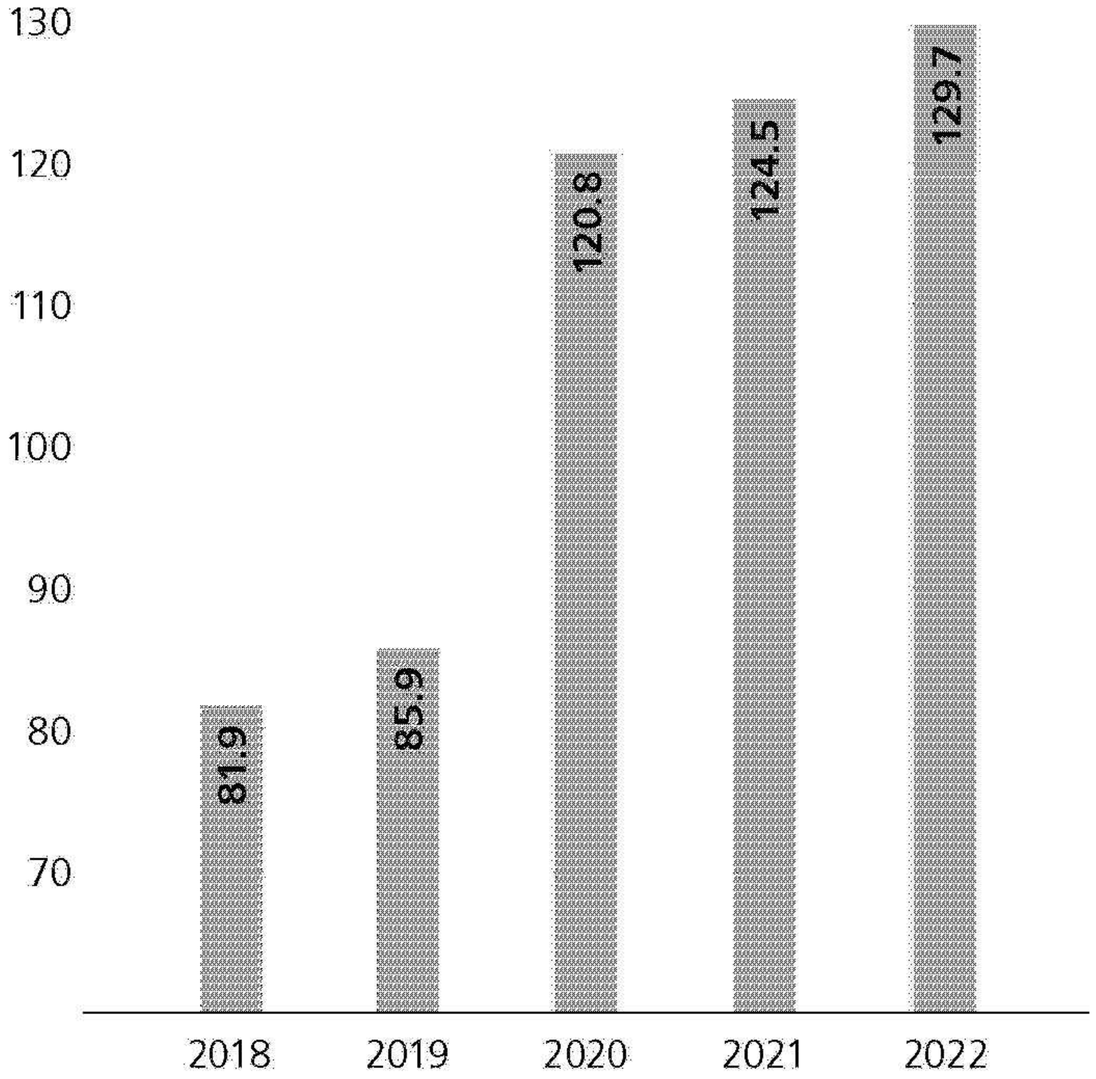
In the year under review, **personnel expenses** stood at EUR 428.2 million, which put them 5.7 % higher than the previous year's level (previous year: EUR 405.0 million). In addition to the effects of collective wage agreements, structural shifts brought about by an expansion of the workforce partway through the year at certain companies were also responsible for the increase. On top of this, there was an increase in variable remuneration due to business development, such as commission paid to sales representatives.

Other operating expenses increased by 15.1 % to EUR 310.2 million (previous year: EUR 269.5 million), particularly as a result of the much higher outgoing freight costs and inventory handling costs, as well as the advertising, travel, and entertainment expenses, which noticeably increased again after the coronavirus protective measures were lifted. Higher expenses incurred through software rental licences and negative changes in exchange rates have also been included under this item. **Other operating income** increased from EUR 25.6 million to EUR 28.9 million, mainly as a result of positive changes in exchange rates. When netted against each other, the positive and negative changes in exchange rates virtually cancelled one another out. The balance of other operating expenses and income stood at EUR -281.3 million in the reporting period (previous year: EUR -243.9 million).

Earnings before taxes, net financial income/expense, depreciation/amortisation (**EBITDA**) at the Sto Group improved by 1.0 % to EUR 194.5 million (previous year: EUR 192.5 million). Following deduction of depreciation/amortisation of Intangible fixed assets, Property, plant, and equipment, and Rights of use – which decreased from EUR 68.1 million to EUR 64.8 million – the resulting **EBIT** was up by 4.2 % to EUR 129.7 million (previous year: EUR 124.5 million).

Within the segment of **Western Europe**, an increase in EBIT from EUR 102.7 million to EUR 113.9 million was achieved despite the considerable pressure on the gross profit margin.

Sto Group EBIT
in EUR million



Meanwhile, declines were recorded in the other segments: in **Northern/Eastern Europe**, EBIT fell from EUR 14.5 million to EUR 13.0 million and in the **America/Asia/Pacific** segment it dropped from EUR 8.1 million to EUR 3.0 million.

The **net financial income/expense** for the Group was EUR -1.4 million (previous year: EUR +3.5 million). The extremely positive previous year's value mainly resulted from a one-time effect associated with the step-by-step corporate acquisition of JONAS Farben GmbH. In the year under review, interest income increased from EUR 0.6 million to EUR 1.6 million and interest expense from EUR 2.4 million to EUR 3.4 million, which – in both cases – was due to the rise in market interest rates.

In 2022, **EBT** of the Sto Group improved by 0.3 % to EUR 128.3 million (previous year: EUR 127.9 million), thereby achieving its best ever level. The resulting return on sales was 7.2 % (previous year: 8.0 %). Standing at 30.6 %, the tax rate in 2022 was higher than the previous year's level (previous year: 26.0 %) but below the average tax rate for the years 2017 to 2020. In the previous year, the low tax rate was essentially the result of one-time effects. Due to the higher tax rate, **EAT** fell by 5.9 % in 2022 compared to the previous year from EUR 94.7 million to EUR 89.1 million.

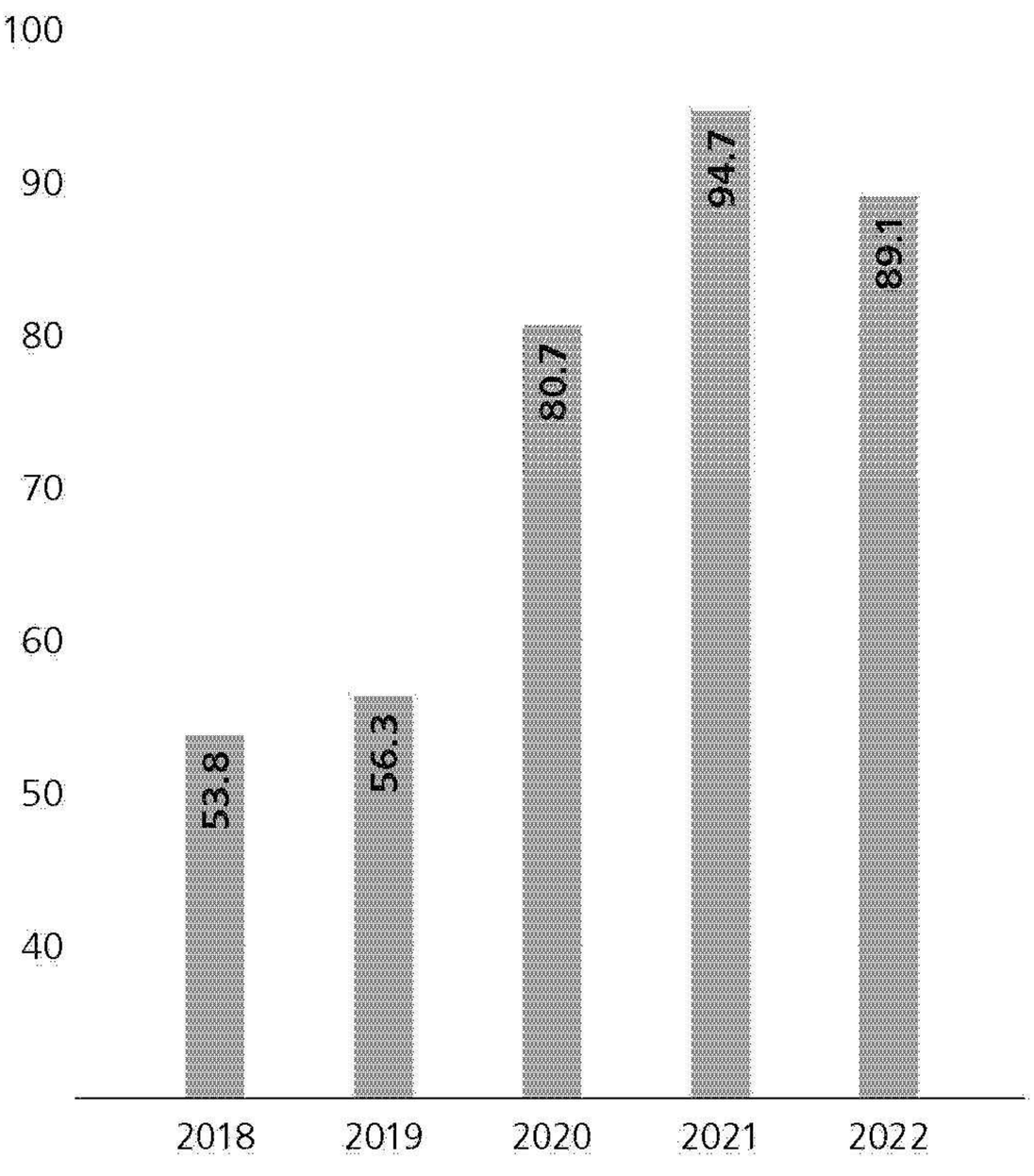
Diluted and basic earnings were EUR 14.06 per limited preference share (previous year: EUR 14.46) and EUR 14.00 per limited ordinary share (previous year: EUR 14.40).

As at the reference date of 31 December 2022, the **ROCE** (return on capital employed) figure for the Sto Group stood at 17.3 % (31 December 2021: 18.9 %). The improved EBIT contrasted with a considerable increase in capital employed, which essentially resulted from the need to build up inventories to safeguard our ability to deliver to customers and from the higher trade receivables in light of the business expansion that primarily took place outside of Germany.

Sto SE & Co. KGaA – Dividend
At the parent company Sto SE & Co. KGaA, **earnings before income taxes**, determined in accordance with the German Commercial Code (HGB), increased to EUR 87.6 million (previous year: EUR 67.9 million) and the **net profit for the year** increased to EUR 62.0 million (previous year: EUR 46.6 million). The financial situation and assets and liabilities situation of Sto SE & Co. KGaA remained very solid, with an increased equity ratio of 67.9 % (previous year: 65.4 %).

At the Annual General Meeting on 21 June 2023, the personally liable partner STO Management SE will propose via its Executive Board to keep the dividend payout at the same level as the previous year. This payout amount of EUR 31,896,720.00 is to be taken from the net income of Sto SE & Co. KGaA which is calculated in accordance with the German Commercial Code (HGB) and comes to EUR 62.3 million. This means that limited preference shareholders are once again to receive an ordinary dividend of EUR 0.31 and a bonus of EUR 4.69 per share. Limited ordinary shareholders are again to be paid an ordinary dividend of EUR 0.25 and a bonus of EUR 4.69 per share.

Sto Group EAT
in EUR million



Financial situation

Financial management is organised centrally via Sto SE & Co. KGaA and is responsible for aggregating the equity requirements at Group level and handling the necessary financing measures for the entire Group. The aims here are to maintain liquidity, to optimise finance expenses and income, and to minimise currency and interest risks. For this, we use a wide range of instruments in order to ensure as little dependence as possible on individual markets and methods of financing. When working with banks, we seek out those that enjoy good credit ratings and are able to build long-term business relationships characterised by mutual trust.

As a basic principle, we always aim to establish a balanced relationship between equity and debt capital, thereby ensuring a long-term financing scope and high level of flexibility. The majority of our financial requirements – which fluctuate significantly due to the seasonal nature of the business – are covered using operating cash flow and available liquidity.

The credit facilities that had not been used as at the balance sheet date amounted to EUR 130.3 million (previous year: EUR 129.4 million). These facilities essentially consist of a syndicated loan agreement that had been signed with six partner banks in April 2022 under arms-length conditions to replace an agreement in the amount of EUR 100 million that became due in August 2022. The new syndicated loan agreement, which is likewise worth a total of EUR 100 million, will run until April 2027 and includes two options for renewing the agreement by one year each time. The loan interest margin may decrease or increase depending on whether key performance indicators (KPIs) are achieved. Two measures from the area of environmental protection and corporate governance have been agreed to serve as KPIs.

To minimise the effect of exchange rate fluctuations on consolidated earnings, **foreign currency items** are netted within the Group. As part of our planning, the foreign currency cash flows expected for the following year are determined, and suitable hedging strategies are then devised on this basis. Planned cash positions are hedged through instruments congruent with the time and economic state from the area of derivatives.

The Sto Group's liquidity is mainly managed via a **cash-pooling system**, into which almost all of the subsidiaries operating in the eurozone are integrated. This allows us to net cash surpluses and cash requirements, and minimise the number of external banking transactions. Any spare liquidity is invested under conditions that are as favourable as possible. In addition, subsidiaries have access to short- or long-term loans, particularly for investments.

Solvency is ensured by the central **Treasury** department. This involves recording the necessary financial resources for internal and external financing, as well as the financial risks resulting from international business. This approach takes into account the increasing internationalisation of business activities and the increasing risk management requirements that come with it.

Sto Group statement of cash flows
in EUR K

	2022	2021
Cash flow		
from operating activities	95,306	111,402
from investment activities	–42,553	–51,067
from financing activities	–71,851	–57,166
Change in cash and cash equivalents from changes in exchange rates	1,445	3,946
Change in cash and cash equivalents due to expected losses on cash and cash equivalents in accordance with IFRS 9	–59	–23
Cash and cash equivalents at the beginning of the period	**137,135**	**130,043**
Change in cash and cash equivalents	–17,712	7,092
Cash and cash equivalents at the end of the period	**119,423**	**137,135**

At the 2022 year end, the present value of Sto Group disbursements due from leasing contracts in the future stood at EUR 80.5 million (31 December 2021: EUR 87.6 million).

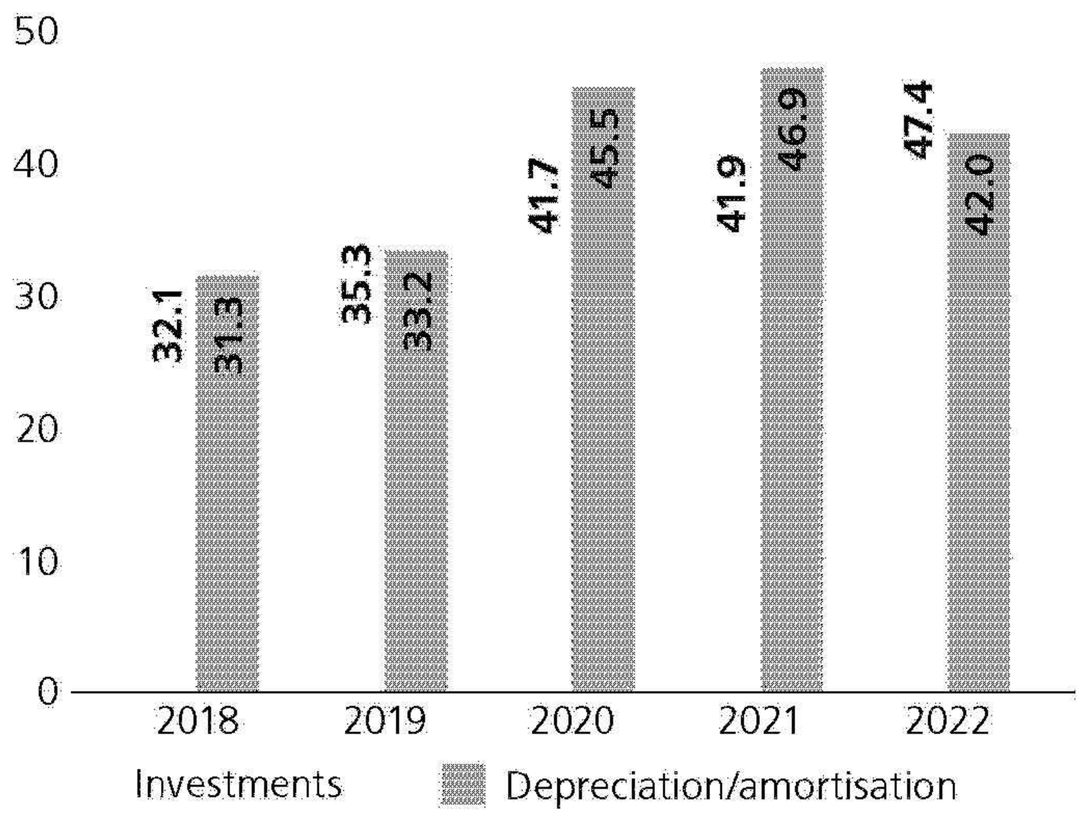
Development of liquidity in 2022

In the year under review, **cash flow from operating activities** within the Sto Group dropped from EUR 111.4 million to EUR 95.3 million. This decline was mainly caused by higher income tax payments (particularly related to the reference date) of EUR 53.0 million (previous year: EUR 32.4 million), and the utilisation of provisions in the amount of EUR 10.2 million (previous year: EUR 3.6 million). The additional funds tied up in current assets amounted to EUR 34.5 million compared to EUR 41.4 million the previous year; depreciation on fixed assets decreased from EUR 68.1 million to EUR 64.8 million. The cash flow margin in relation to sales revenue amounted was 5.3 % (previous year: 7.0 %).

Cash flow from investment activities totalled EUR -42.6 million (previous year: EUR -51.1 million). In 2022, investments in Property, plant, and equipment, and Intangible assets amounted to EUR 47.4 million (previous year: EUR 41.9 million), while EUR 2.4 million (previous year: EUR 1.8 million) was received in payments from the disposal of Intangible assets and Property, plant, and equipment. In the previous year, outflows in the amount of EUR 16.6 million were also recorded for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents). In the area of financial investments, disbursements increased in comparison to the previous year from EUR 46.4 million to EUR 82.3 million, and deposits from EUR 51.7 million to EUR 83.7 million. Cash flow from investment activities adjusted for these deposits and disbursements amounted to EUR -43.9 million (previous year: EUR -56.4 million).

Cash flow from **financing activities** amounted to EUR -71.9 million (previous year: EUR -57.2 million). At EUR 31.9 million, the unaltered dividend distribution

Sto Group investments and depreciation/amortisation (without financial assets and rights of use)
in EUR million



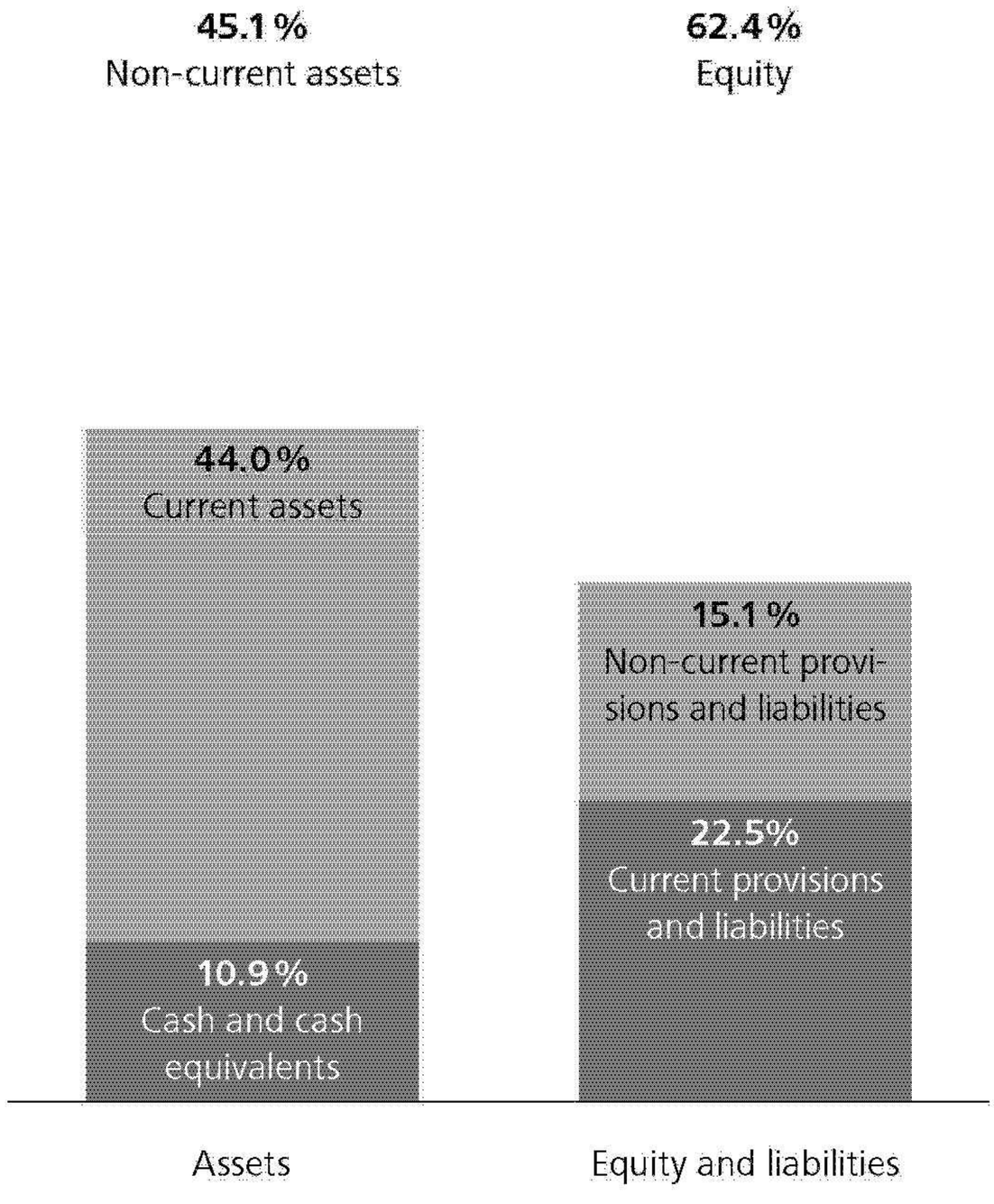
accounted for the majority of outflows, as was the case the previous year. Standing at EUR 22.5 million, disbursements for the repayment portion of the lease liabilities exceeded the previous year's value (previous year: EUR 22.0 million). The payments to minority shareholders in the amount of EUR 10.7 million (previous year: EUR 0 million) were connected to the acquisition of the outstanding shares in Sto Italia Srl, Empoli/Italy. Payments for current borrowings increased from EUR 2.8 million to EUR 4.2 million and there were no corresponding deposits in the year under review (previous year: EUR 2.1 million). Outflows of EUR 1.0 million (previous year: EUR 1.1 million) were recorded for non-current borrowings.

At the 2022 year end, net **financial resources** amounted to EUR 119.4 million (31 December 2021: EUR 137.1 million). This took account of changes in the exchange rate and changes due to anticipated losses on cash and cash equivalents in accordance with IFRS 9 in the total amount of EUR 1.4 million (previous year: EUR 3.9 million). As compared to the same day of the previous year, cash and cash equivalents within the Sto Group decreased by EUR 17.7 million (previous year: inflow of EUR 7.1 million).

Investments
In the year under review, Group-wide investments in Property, plant and equipment, and Intangible assets amounted to EUR 47.4 million (previous year: EUR 41.9 million). Consequently, they came very close to reaching the level of the most recent forecast of EUR 48 million (original forecast: EUR 63 million), which was adjusted downwards in November due to delays and postponements in relation to various major projects. As at 31 December 2022, acceptance obligations for items of Property, plant, and equipment were recorded in the amount of EUR 12.8 million (previous year: EUR 12.1 million). As in the previous year, no investments were made in financial assets within the Sto Group.

In 2022, investments were made in various areas. These included the installation of a second rotary kiln in order to expand production capacity at Liaver GmbH & Co. KG in Ilmenau/Thuringia, a project which is due to be completed in the 2023 financial year, and in the modernisation of production equipment as part of our ongoing 'Retrofit' programme. This programme involves continuously investing in replacement equipment and upgrades at various Sto production sites to remain constantly at the cutting edge of technology, pressing ahead with the digitisation of processes, and in so doing maintaining and improving our competitiveness. The Retrofit programme is scheduled to run for several years and includes replacing process control systems within existing plants and modernising system controls, sensor and actuator technology, and testing facilities. This also involves installing a modern, standardised IT-based production management system that digitally supports virtually all processes within the production environment. At the turn of the year 2021/2022, the new process control system for high-volume products went into operation at the production site in Stühlingen. The systems for the other production areas at the Stühlingen location were put into operation at the turn of the year 2022/2023.

Sto Group balance sheet structure
As at 31 Dec 2022



Across the Group as a whole, EUR 39.7 million of the total investment amount was allocated to the segment of Western Europe (previous year: EUR 35.1 million), EUR 1.8 million to the segment of Northern/Eastern Europe (previous year: EUR 2.5 million), and EUR 5.9 million to the region of America/Asia/Pacific (previous year: EUR 4.3 million).

Assets and liabilities situation

The Sto Group recorded a rise in its balance sheet of EUR 13.0 million to EUR 1,097.7 million as at 31 December 2022 (31 December 2021: EUR 1,084.7 million).

On the **assets side**, total **non-current assets** decreased to EUR 494.8 million (31 December 2021: EUR 518.8 million), with rights of use representing the main area of decline within the fixed assets. These amounted to EUR 78.8 million compared to EUR 85.9 million on the same day of the previous year because depreciation exceeded additions. The Intangible assets item likewise decreased from EUR 61.6 million to EUR 56.7 million, while Property, plant, and equipment increased from EUR 287.4 million to EUR 296.0 million.

As at the reference date, the financial assets accounted for using the equity method stood at EUR 2.2 million (31 December 2021: EUR 1.8 million). The main aspect reflected in the category of other non-current assets – which fell overall from EUR 82.0 million to EUR 61.1 million – was the reallocation of non-current other financial assets to current other financial assets, which was undertaken as part of the financial management optimisation process. Accordingly, the decline in non-current other financial assets from EUR 48.4 million to EUR 39.9 million was contrasted by an increase in the current other financial assets item, which rose from EUR 94.1 million to EUR 102.4 million. Non-current trade receivables totalled EUR 1.1 million (31 December 2021: EUR 1.8 million).

Total **current assets** increased by EUR 37.0 million to EUR 602.9 million (31 December 2021: EUR 565.9 million). Inventories increased from EUR 158.6 million to EUR 179.2 million. These were strategically built up in light of the very difficult situation on the procurement market to safeguard Sto's ability to deliver – following the previous year when this had not always measured up to the high level to which we aspire – and to ensure the usual standard of supply reliability for our customers insofar as this was possible. In addition, the rising procurement prices had an increasing impact on inventory valuations. At the 2022 year end, we began the process of selectively running down inventories in view of the current estimate of how procurement prices would continue to develop and of strategically reducing stocks of raw materials, finished goods, and bought-in products for which security of supply had increased again.

Across the Group as a whole, current trade receivables increased from EUR 145.8 million to EUR 171.4 million in 2022, which is attributable to the higher business volume as well as the larger percentage of consolidated turnover generated outside of Germany, since longer average collection periods are usually the norm there. At the 2022 year end, the Sto Group had cash and cash equivalents in the amount of EUR 119.4 million at its disposal (31 December 2021: EUR 137.1 million).

On the **liabilities side** of the consolidated statement of financial position, **equity** increased from EUR 610.0 million to EUR 685.1 million. Alongside the positive consolidated EAT, other key factors that contributed to this change were the actuarial gains that came from the revaluation of pension obligations, particularly as a result of the higher market interest rates and, on the other hand, the acquisition of the outstanding shares in Sto Italia Srl, Empoli/Italy. Once again, there was an improvement in the **equity ratio**, which increased to a very robust 62.4 % (31 December 2021: 56.2 %).

Debt capital decreased from EUR 474.7 million on the same day of the previous year to EUR 412.6 million. In total, the **non-current provisions and liabilities** fell to EUR 165.7 million (31 December 2021: EUR 210.9 million), a reduction that was particularly attributable to the lower valuation of pension provisions. Pension provisions essentially fell by EUR 40.1 million to EUR 82.1 million as a result of the higher market interest rates (31 December 2021: EUR 122.2 million). Some of the non-current borrowings, which totalled EUR 0.9 million (31 December 2021: EUR 1.9 million), were reclassified as current borrowings because of their maturity dates. Non-current lease liabilities decreased from EUR 67.2 million to EUR 60.7 million. Non-current other financial liabilities increased to EUR 4.8 million (31 December 2021: EUR 0.2 million).

Within **current provisions and liabilities**, which decreased in total from EUR 263.8 million to EUR 246.9 million, trade payables increased from EUR 63.3 million to EUR 67.1 million because of the higher procurement volume. Current other financial liabilities increased from EUR 45.1 million to EUR 46.3 million. Despite the fact that some non-current borrowings were reclassified as current borrowings, the latter category decreased by EUR 4.1 million to EUR 4.1 million (31 December 2021: EUR 8.2 million), essentially as a result of scheduled repayments. Current other provisions decreased from EUR 43.5 million to EUR 33.1 million. These include, in particular, provisions for warranty obligations arising from sales that relate to insurance refund claims. On the assets side, these have been allocated to current other assets.

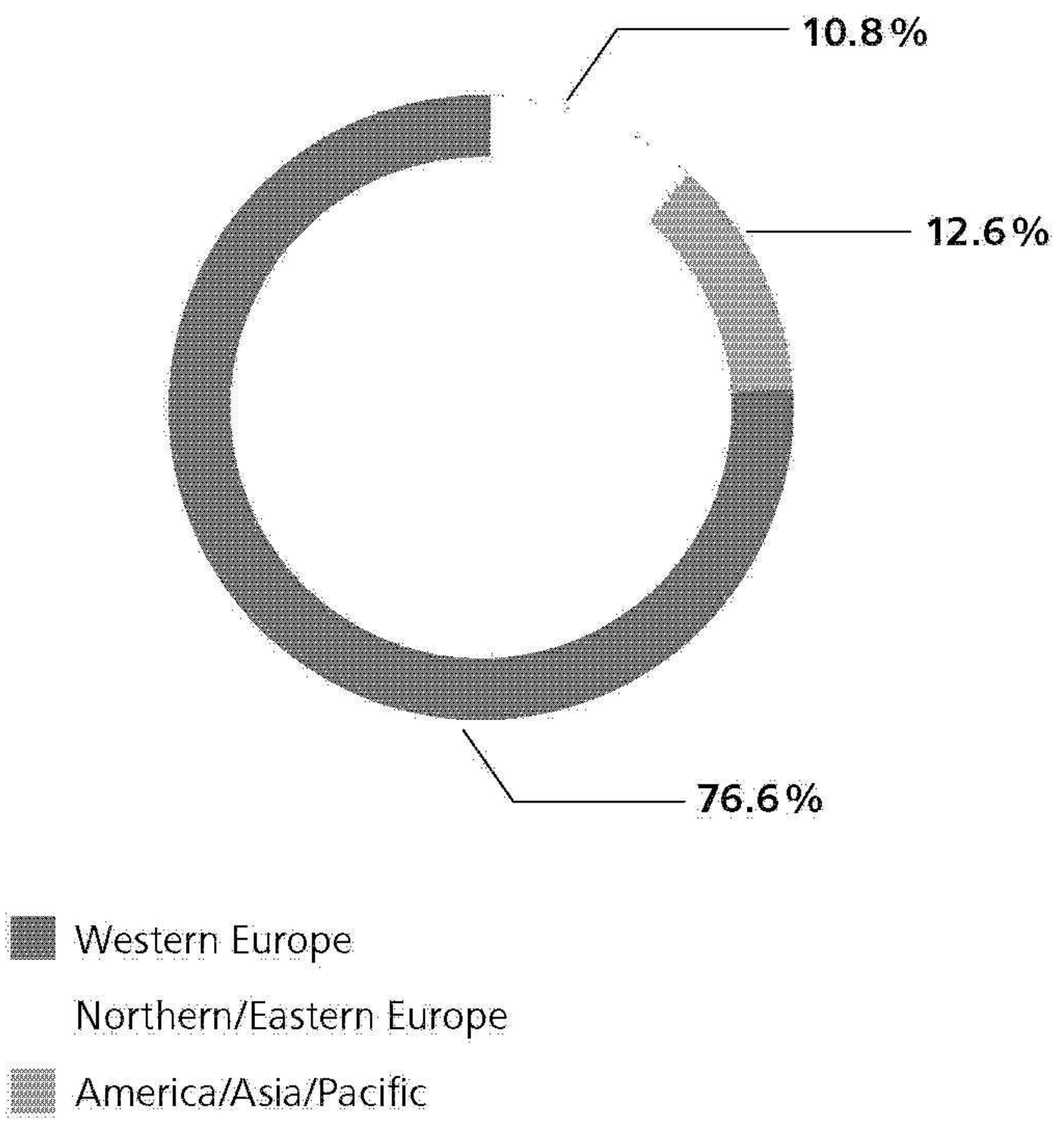
On the reference date, current and non-current borrowings totalled EUR 5.0 million (31 December 2021: EUR 10.2 million). Taking into account cash and cash equivalents of EUR 119.4 million, net financial assets stood at EUR 114.4 million as at the end of December 2022 (31 December 2021: EUR 126.9 million).

C. Other performance indicators

Employees

As at 31 December 2022, the Sto Group had 5,735 employees worldwide compared to 5,697 at the 2021 year end (+38 employees; +0.7 %).

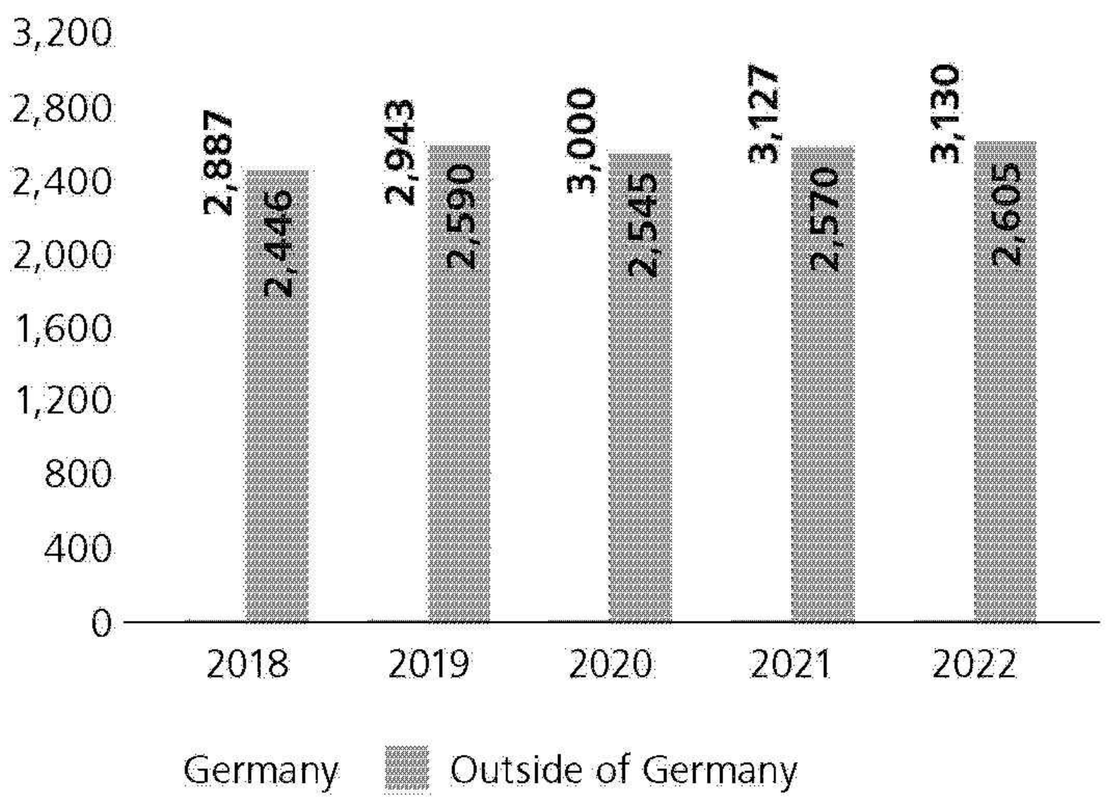
Sto Group employees as at 31 December
By segment



In the segment of Western Europe, the number of employees increased by 34 to 4,394 (previous year: 4,360; +0.8 %) and in America/Asia/Pacific by 10 to 724 employees (previous year: 714; +1.4 %). By contrast, in the segment of Northern/Eastern Europe, the number of employees fell by 6 in total to 617 (previous year: 623; -1.0 %).

Year-on-year, the number of employees working for Sto in Germany increased only marginally by 3 to 3,130 (previous year: 3,127; +0.1 %). Outside of Germany, new hires partway through the year were mainly made at companies in countries with short- and medium-term growth prospects, while the workforce was reduced selectively at companies affected by difficult general economic conditions. Overall, the Group's workforce outside of Germany increased by 35 to 2,605 employees (previous year: 2,570; +1.4 %), meaning that the percentage of those employed outside of Germany rose slightly from 45.1 % to 45.4 %.

Sto Group employees as at 31 December
Number



Our highly qualified employees are the key to our company's success and are vital to ensuring the further growth of Sto. That is why we attach such a high level of importance to the concerns and interests of our employees. Secure and attractive jobs and job conditions, a high degree of personal responsibility, and regular training and development opportunities are, in our view, important prerequisites for having a motivated and productive workforce.

The COVID-19 programme, which had been established at the beginning of the coronavirus pandemic to protect the health of Sto employees and to safeguard the company's ability to conduct its business, continued into the 2022 reporting year. Working under the supervision of the HR division, the global team in charge of the programme further developed the measures based on the experience gained over the previous two years to continue protecting the Sto workforce successfully against the coronavirus pandemic.

We employ a large number of recruitment measures to tackle the extreme competitive pressure on the global employment markets and to meet our future requirements for qualified personnel, particularly in light of the growing shortage of skilled workers. Within this context, we endeavour to bring on board as diverse an array of skills and experience as possible. In our experience, teams with a heterogeneous make-up are better at solving complex tasks and find it easier to integrate social and economic developments. In addition, the Sto Group insists on tolerance within the organisation with regard to ethnic origin, gender, age, sexual orientation, disability, and religion or belief.

At the 2022 year end, the average age within the Sto Group was 43.8 (previous year: 43.7) and the share of female employees stood at 25.1 % (previous year: 24.7 %).

HR strategy
Our long-term HR strategy is aimed at fostering the Sto culture. This is based on mutual respect, enables our workforce to play their part in shaping the Company, and is intended to motivate our employees to take responsibility for ambitious targets.

In 2022, the initiative that took centre stage was the one aimed at further developing the corporate culture as part of the strategy implementation process. Key aspects included process orientation and digitisation, supported by training, communication and change measures. In addition, there were various projects focusing on personnel and manager development, which – among other things – were concerned with the definition of a new management model. Another cornerstone of the work carried out in this area was the process of introducing SAP HCM within HR at various subsidiaries.

Fluctuation
As regards the fluctuation rate – which is defined as the number of exits from the company (not including natural ones, such as people entering retirement) in relation to the average number of permanent staff – we aim to keep it in the lower single-digit percentage range across the Group. In 2022, a very good rate was once again achieved at Sto SE & Co. KGaA, where it was 3.7 % (previous year: 3.4 %). The percentage of employee resignations at Sto SE & Co. KGaA was 2.3 % (previous year: 1.6 %). The average period of employment with the Sto Group remained unchanged at 11.1 years. The values demonstrate the employees' extraordinary connection and loyalty to Sto.

Occupational safety
Workplace safety and accident prevention are important elements of our HR policy. As a basic principle, we aim to keep the rate of reportable accidents at work or on the way to and back from work consistently below ten accidents per 1,000 employees per year. In 2022, this rate at Sto SE & Co. KGaA was 11.6 (previous year: 18.3). In absolute terms, 26 (previous year: 34) work accidents and 8 (previous year: 7) commuting accidents were reported.

Essentially, the incidents – which were analysed in detail – were due to human error. Where necessary, we introduced relevant measures to prevent any reoccurrences. In addition, suitable training and instruction measures are regularly offered to employees with a view to increasing occupational safety.

The high standards of health and safety within the Sto Group are verified at several companies by means of external certifications: in the USA, two out of the three factories operated by the Sto Corp. subsidiary have been audited in accordance with the local 'Safety & Health Achievement Recognition Program' (SHARP). This programme documents a high level of health and safety. The production sites of Sto Scandinavia AB in Sweden, Beissier S.A.U. in Spain, and Shanghai Sto Ltd. in China are certified in accordance with the international occupational health and safety standard ISO 45001, as are the sales locations in Denmark, Finland, and Norway.

The Verotec GmbH and Innolation GmbH subsidiaries implement the OHRIS standard (Occupational Health and Risk Management System), which is a globally valid standard on occupational safety and health. Meanwhile, the Polish company Sto Sp.z o.o. is certified in accordance with AQAP (Allied Quality Assurance Publications). The subsidiary in Singapore satisfies the requirements of the bizSAFE programme for the promotion of health and safety in the workplace by recognising measures in the area of occupational safety.

Health and well-being
Keeping our employees healthy is a fundamental part of what we do. A safe working environment keeps employee motivation and commitment high, has a positive impact on productivity, and reduces unwelcome costs if something goes wrong.

In addition to the measures for combatting the coronavirus pandemic, which also included the opportunity to get vaccinated at various locations, another core aspect of the health protection strategy in 2022 consisted of activities aimed at improving health. These were made available on a continuous basis and covered topics such as conscious nutrition and protection against the flu. Occupational reintegration management was also scaled back up to a normal level of operation following the restrictions that had been imposed in recent years as a result of the pandemic, enabling the relevant colleagues to receive effective support.

Further education and training activities
The extensive expertise and capabilities of the Sto team are constantly being expanded via a wide range of training and development opportunities, most of which can also be accessed digitally. The 'Learning@sto' global learning management system provides the basis for this. This platform brings together learning content and materials in globally standardised formats and makes them available to users across the world. The content is defined in collaboration with the subsidiaries and flexibly adapted to suit the context. At the end of 2022, more than 240 courses were available in various languages. For instance, the Compliance & Security training can be accessed in a total of eleven languages.

The topics covered by the professional development courses are essentially based on the strategic priorities and the content was revised in 2022. Some examples of the most important initiatives are the courses for strengthening expertise in the areas of new work and digital collaboration, as well as qualifications for team development. In the area of management, there was a particular focus on the whole concept of 'modern management'. In addition, the manager development programmes aimed at SalesCentre and sales region managers – which had been enhanced and refined – and the project management training courses all continued running in line with the strategic skills identified in 2021.

At the 2022 year end, the Sto Group had a total of 5,735 employees globally.
Photo: Martin Baitinger, Böblingen/Germany

Vocational training at Sto
In 2022, 102 (previous year: 81) people started their vocational training or studies at Sto in Germany. At year end, the number of trainees and students working for Sto in Germany totalled 236 (previous year: 241). In relation to the total workforce in Germany, this equates to a share of 7.5 % (previous year: 7.7 %). As a result, Sto once again easily exceeded the average rate of 4.5 % that was recorded for all the businesses working in the chemical industry in Germany.

In 2022, our vocational training programme in Germany encompassed 27 (previous year: 27) industrial and commercial occupations and fields of study at cooperative state universities.

After a period of restricted opportunities in the previous years, we were once again able to participate in several trainee recruitment events in 2022. In addition to the Sto Future Day, where interested enquirers can find out about careers within the company, these also included the presentation at the trainee careers fairs, trade fairs, and careers information days at various locations. Furthermore, the number of available work placements was increased to meet the need for qualified trainees and students. Extensive information about vocational training can be found in the 'Karriere' (Careers) area of the Sto website at www.sto.de.

Research and development
Intensive research and development activities play a foundational role in our strategic direction. Our structured R&D work enables us to expand our core capabilities, shore up our position as the innovative technology leader we aim to be within our industrial sector, extend our expertise, and tap into new markets, customers, and growth areas.

Within the Sto Group, development activities mainly take place at the Stühlingen location in Germany, which serves as a centre of excellence for the entire Group and cooperates closely with the R&D departments operating locally at the subsidiaries inside and outside of Germany. The process of integrating all laboratories and expertise across the Group to create an international network is progressing as planned.

In 2022, EUR 15.9 million (previous year: EUR 14.6 million) in research and development costs – or 0.9 % (previous year: 0.9 %) of consolidated turnover – was recorded with an impact on profit or loss within the Sto Group. At year end, the number of people employed at the R&D departments worldwide stood at 192 (previous year: 179).

The key aim of Sto's research and development activities is to constantly expand and improve the range of products and services for increasing the energy efficiency of buildings, which we regard as a crucial factor for ensuring the economic success of the company. When developing new products and systems, there is a clear emphasis on the aspect of

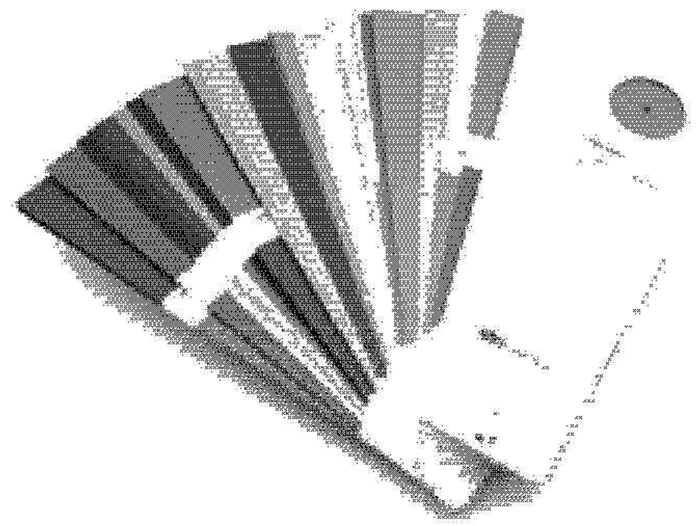
Sto's training rate of 7.5 % is considerably above the average for all the businesses working in the chemical industry in Germany.
Photo: Martin Baitinger, Böblingen/Germany

sustainability, which we have defined as a core competence of the Sto Group. Sto makes a significant direct contribution to sustainability through our full and broad range of products and systems tailored to the improvement of energy efficiency of buildings and hence the reduction of energy consumption and CO_2 emissions. What is more, our R&D departments are working on numerous solutions – from the selection and procurement of materials and the manufacturing of innovative products (based, for example, on renewable raw materials) right through to environmentally friendly packaging. In the year under review, the topics included concepts for reducing the CO_2 footprint of our systems and, in the area of insulants, the researchers focused particularly on recyclability and fire protection.

Due to the dramatic rises in the prices of raw materials and energy, the R&D departments also concentrated intensively on the following: ability to deliver and optimisation of the product portfolio. Among other things, new raw materials underwent qualification testing and approval, and formulations were optimised to counteract the cost increases. The criteria used to assess the associated changes were whether they would achieve the high standard of quality that we promise our customers, achieve a reasonable cost-benefit ratio, and ensure that social and environmental standards were met all along the supply chain. In addition, the supplier network was expanded and strategic cooperation with partners was further intensified to make us less dependent on specific sources of supply.

Following the lifting of the coronavirus-related restrictions that had been in place over recent years, we were increasingly able to engage in vital professional exchanges with suppliers and cooperation partners through face-to-face meetings. In addition, professional development seminars and training continued to be delivered in an online format.

One of the areas on which R&D focused was recyclability: the StoFix Circonic insulation board fixing allows facade insulation systems to be secured without the need for any bonding mortar whatsoever and the components can be separated by type during dismantling.
Photo: Martin Baitinger, Böblingen/Germany



The StoColor Dryonic® facade paint is now also available with metallic effects. 64 metallic colour shades have been added to the StoColor System, which are showcased in a separate colour fan.
Photo: Sto SE & Co. KGaA

Main focus of new and further development of products

In 2022, various new and enhanced products were unveiled that essentially prioritised whole-system thinking. Among other things, these included an additional version of the successful StoColor Dryonic® product line. This biomimetic exterior paint has been specially developed to protect facades with a metallic effect and for use on metal substrates. In this way, we can open up new sales segments for which conventional facade paints are not suitable.

StoSilent Distance C is an acoustic system for ceilings that was made market-ready in 2022 and can be bonded directly to the sub-construction using an innovative technology that has been newly developed. This leads to a significant increase in acoustic and visual quality, as well as considerably improved efficiency during application.

The StoVentec Glass module, a panel for rainscreen cladding facade systems, has been optimised in terms of its fire properties, thereby enabling it to be categorised under building material class A (non-combustible). At the same time, improvements have been made with regard to its raw material composition. The further development of this product was made possible by the close collaboration between Product Management and Verotec GmbH as well as the Test Engineering department at the Stühlingen location in Germany.

In the area of primers, Sto offers a highly effective stain-blocking coating that is suitable for universal use both in the interior and exterior. This coating, which is called StoPrep Isol, is based on cationic technology and provides protection against various soiling.

In addition, products with improved ecological properties were developed in 2022, e.g. by completely avoiding the use of per- and polyfluorinated chemicals.

Fundamental research

Within the context of Sto's in-depth fundamental research, which provides the basis for successful development activities and the creation of new technologies, sustainability is – once again – a key topic. The activities undertaken in 2022 included circular economy projects that focused on recycling and on the use of recycled raw materials in products. There was also a strong focus on other topics of the future, such as smart functions (additional features for systems), digitisation, and robotics (3D printing).

Collaboration with external partners – such as universities, research institutes, start-ups, and suppliers – was further stepped up in the year under review with a view to harnessing the maximum possible amount of knowledge and expertise for fundamental research. Specific research projects are underway in the areas of photovoltaics and 3D printing, among others.

Production and procurement

The Group's production sites around the world are home to the expertise and knowledge on which the quality of Sto's products relies. The performance potential in this area is being expanded in a targeted manner in line with our strategy, production processes are being continuously improved, and methods are being enhanced and refined. This enables us to remain at the same high level and acquire new knowledge on an ongoing basis.

The key products produced in-house at the Sto Group mainly include coating materials (such as renders, plasters, and paints, as well as adhesive and reinforcing compounds) and also floor coatings. Some of the expanded-polystyrene-based (EPS) insulants are produced at the locations of Innolation GmbH in Lauingen/Germany and Amilly/France. The in-house production of these materials, which are exclusively used for Group-internal supply, allows us to strategically develop our technical expertise in this sensitive area, and reduce the extent to which we are dependent on suppliers. Our Swedish subsidiary produces special insulants based on EPS.

The Sto Group produces some of the expanded-polystyrene-based (EPS) insulants used in its systems at the locations of Innolation GmbH in Lauingen/Germany and Amilly/France.
Photo: Martin Baitinger, Böblingen/Germany

The serious disruptions in the global supply chains that had already existed in the previous year continued in 2022, especially until the middle of the year. Among other things, production planning within the Sto Group was hampered by restricted freight forwarder capacity as well as deviations from deadlines for raw material deliveries. As a result, plans had to be repeatedly revised or adjusted at short notice. Thanks to the exemplary commitment shown by all the departments involved, our ability to supply Sto customers was ensured to the best possible extent in the year under review despite these challenges.

The hygiene and organisational measures implemented in the production areas for protection against the coronavirus pandemic were mostly retained in the year under review, with rapid testing continuing to be carried out regularly at the locations. As a result, we were largely able to keep production running uninterrupted throughout the entire reporting period.

Due to the market conditions and the customer structure of the Group, the business of the Sto companies is dominated by orders with short lead times. The Company does not consider key figures relating to order receipt and backlog to be significant. Instead, a high level of goods availability – which is also facilitated by flexible production conditions – and a fast delivery service are vital for the Company.

International production network

In the year under review, the Sto Group's global production network remained unchanged in terms of its size with 33 locations. Of these, 21 were outside of Germany and 12 were in Germany. Production capacity utilisation across the entire Group was good overall, but fell below the level of the previous year in some cases.

Our production equipment at the various operating sites is constantly being updated to the latest technological standards. Digitisation was particularly at the forefront of these renewal and modernisation measures in 2022. In addition, we replaced a gas-powered packing plant at our main factory with a modern stretch wrapping system. This will make it possible to conserve the quantity of natural gas that has always been required here.

With a view to identifying optimisation potential in the area of production at an early stage and further improving performance, the non-conforming batch rate is regularly monitored at our production sites. We aim to keep this proportion of the total production volume that cannot be delivered due to defects below 0.9 %. In 2022, a rate below this desired maximum was achieved almost universally across Sto's European factories. In order to keep the level this low in the long term, we regularly provide training and appropriate qualification measures for our workforce.

Certified quality management

All key production facilities within the Sto Group are registered in the integrated management system, which incorporates all quality, environmental, safety, and energy management systems. The majority of the factories fulfil external standards: as at the end of 2022, 25 (previous year: 26) out of a total of 33 locations were certified in accordance with the international quality management standard ISO 9001:2015. There was no change in the number of establishments certified in accordance with the ISO 14001:2015 standard for environment management systems, which remained at 17.

As at the end of 2022, Sto SE & Co. KGaA – with its headquarters in Stühlingen/Germany – and all production plants and SalesCentres in Germany, as well as six subsidiaries, met the requirements of the ISO 50001:2018 standard for improving energy efficiency.

All factories are continuously being optimised, among other things, by carrying out surveillance audits and spot checks against the certification matrix. The external audits are supplemented by regular internal ones.

There is a particular focus on the quality assurance of EPS insulation boards, which was further optimised in 2022. The aim is to ensure that a very high level of quality is achieved at all stages of the manufacturing process and by all the suppliers involved in it, and – where possible – that an even higher level is attained.

Procurement

In comparison to the previous year, there were only negligible changes to the procurement portfolio within the Sto Group. The main feedstocks and raw materials purchased in 2022 included insulants, pigments, epoxy resins and the associated hardeners, cements, dispersions, and dispersion powders. Packaging supplies were also procured in substantial quantities.

Particularly in the run-up to the middle of the year, the supply situation was affected by price increases to a considerable degree and sometimes by unstable supply chains. Overall, the cost of goods sold within the Sto Group (as a percentage of total revenues) increased compared to the previous year from 47.4 % to 49.3 %.

In the area of raw materials and bought-in products, the main price increases related to insulants, dispersions, pigments, epoxy resins, and cements. Significant increases were also seen in the case of additives and packaging materials, as well as energy-intensive items. The increase in fuel and energy prices was further exacerbated significantly when the Russia-Ukraine conflict began and had a negative impact on all stages of the value chain. In addition, the lack of transport capacities made logistics more difficult.

Thanks to the newly established raw material hubs located in the vicinity of its production facilities, the Sto Group is able to safeguard the replenishment of supplies.
Photo: Sto SE & Co. KGaA

In the electricity and gas sectors, our procurement prices were largely protected by existing contracts up until the end of 2022. The contracts have been put out to tender again to cover the next few years and variable purchasing times will be implemented here with the aim of reducing the risk of fluctuations. In addition, we are investing in generating our own electricity by installing photovoltaic systems, and in so doing are consistently reducing the procurement volume across the Group.

The Russia-Ukraine conflict also exacerbated the supply situation for our suppliers in some areas. In some cases, the demand for products and raw materials in these areas had to be met by procuring supplies from alternative sources at short notice and at considerable additional expense, meaning that Sto was also indirectly affected by this issue. In addition, the lockdowns in China and COVID-related absences – which sometimes interrupted production within the industrial sector – led to delivery delays. In the area of insulation boards, delivery times were much longer between April and August, particularly as a result of high demand during this period.

In the previous year, our ability to achieve **on-time and in-full delivery** for our customers had not always measured up to the high level to which we aspire. In order to improve this situation despite the difficult conditions while also countering the sometimes dramatic cost increases, we started strategically increasing our stocks of raw materials, primary materials, finished goods, and bought-in products at the beginning of the year and established a predictive allocation process. In addition, we further expanded the global portfolio of supplier and transport services. In some cases, we were able to reverse our early strategic stockpiling of in-house products, raw materials, and bought-in products in the course of the year due to improved availability. To compensate for material shortages and the lack of transport capacities, raw material reserves were established at the contract logistics companies. Thanks to these 'raw material hubs' located in the vicinity of our production facilities, we were able to safeguard and optimise the replenishment of supplies at short notice.

As a result of the countermeasures, the on-time and in-full delivery percentage achieved by Sto SE & Co. KGaA increased noticeably in 2022 compared to the previous year from 92.0 % to 95.9 %.

Procurement management

The basis for end-to-end security of supply at the production facilities of the Sto Group is proactive procurement management, which relies on close, long-term relationships with our key suppliers. Within the Group, Sto SE & Co. KGaA is responsible for the procurement of capital goods, services as well as consumables, and supports the subsidiaries by providing tailored consultation services, expertise, and state-of-the-art procurement methods.

In 2022, procurement management concentrated primarily on optimising procurement planning and ensuring security of supply. Among other things, this involved introducing a piece of software that also incorporates implementation of the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG). Moreover, a project aimed at further optimising procurement planning was initiated in the second half of 2022, with implementation scheduled for 2023 onwards. The aims here are to harmonise processes across functions, design them on a rolling basis, and organise them using a cross-site approach.

Twice a year, we perform a systematic **supplier evaluation** at all our key European Sto companies. The assessment is based on the criteria of quality, price, sustainability, commercial cooperation, and supply conditions. The results are weighted in different ways and are condensed into a single key figure with a maximum score of 100. As in the previous year, Sto SE & Co. KGaA set a target score of 90.0 for its suppliers. An actual score of 83.8 (previous year: 85.2) was achieved in 2022. The considerably longer delivery times in the run-up to the middle of the year were the main factor behind the decline compared to the previous year. The strong fluctuations in the purchasing prices also had a negative impact on the evaluation.

To optimise inventories across the Group, **inventory ratios** (average inventory in relation to annual turnover) are agreed annually with the Sto subsidiaries. In 2022, these ranged between 2.4 % and 33.0 %. These values depend on whether the company concerned is a production and/or sales company. The process of defining the targets also involves analysing the relevant market conditions, such as product launches, strategic stockpiling of raw materials and bought-in products, which was stepped up significantly in 2022 in some cases, and necessary logistics-related changes. Higher ratios were approved in cases where this was necessitated by production-related, logistics-related, or strategic stockpiling.

In the 2022 financial year, inventory values rose substantially due to the significantly increased price level which exceeded the growth rate in terms of quantity. Overall, there was a considerable increase in the inventory ratios of the individual companies at year end.

D. Risks and opportunities report

Risks and opportunities
As an international company, Sto SE & Co. KGaA is regularly confronted with risks and opportunities. In principle, we define opportunities and risks as potential deviations from the planned result. Managing these in a way that focuses on our objectives is one of the fundamental components of our management of the Company and is essential for the long-term positive development of the Group. The Executive Board of STO Management SE as personally liable partner lays down a **risk strategy**. This asks for opportunities that arise to be exploited with rigour, while undertaking risks only where a commensurate contribution to earnings can be expected and a threat to the Company's existence can largely be excluded.

Internal control system
As a supplement to the Sto Group's risks and opportunities management system, we have also implemented an **internal control system (ICS)**. This covers all the principles, procedures, and measures that are intended to ensure the effectiveness, economic efficiency, and correctness of the Group accounting, as well as compliance with the relevant legal regulations. In addition, the ICS incorporates an internal monitoring system comprising in-process elements and elements independent of the process concerned. One example of an important measure is the dual control principle, which is supplemented by automated IT process controls.

The roles and responsibilities within the accounting process – such as accounting at Sto SE & Co. KGaA and its subsidiaries, Group accounting, and investment controlling – are clearly separated and defined.

The digitised accounting process is controlled using the ERP software SAP, which has been implemented at most Sto companies. It records and processes all issues and data relevant to accounting. Sto SE & Co. KGaA has an electronic workflow in place for centralised invoice processing and archiving, and this has been gradually rolled out to the majority of subsidiaries. Access to various types of data is clearly regulated by an authorisation concept and corresponding access restrictions are in place.

The regular management meetings that take place between the management of the Company and the managers in charge of the subsidiaries and/or sales regions are another important element of the ICS.

An internal manual containing the corporate accounting guideline in line with IFRS is regularly updated and provides the basis for drawing up the annual financial statements, which must be included in the consolidated annual financial statement of the Sto Group. This ensures the uniform implementation of valuation and reporting rules throughout the Group. All balance sheets as well as income statements and statements of cash flows drawn up by the subsidiaries and other business units are audited by the Sto Group Accounting department to verify that they are correct, complete, and in compliance with the accounting guideline.

We ensure the correctness and reliability of our accounting processes by applying specific key figure analyses, and through the processing and control of complex business transactions by different persons. The separation of administrative, executing, accounting, and approval functions, and the performance of these functions usually by multiple persons (dual control principle), also reduces the attendant risks.

A meeting focusing on the annual financial statements takes place for each operationally active subsidiary between the local management board, representatives of Group Accounting, and, in most cases, the Chief Financial Officer of STO Management SE as a representative of the Group's parent company. The local auditor is also present at this meeting. Additionally, the Group auditor, Internal Audit, Central Investment Controlling, or a national control committee – such as the Board of Directors – participate in the meeting if necessary. The rules of procedure for managing directors in the Sto Group include mandatory rules for correct conduct of different business processes, which must be adhered to throughout the Group.

The Internal Audit department monitors the transparency required for the increasingly complex corporate processes and ensures the implementation of the growing compliance requirements. As an independent division, Internal Audit reports directly to the Executive Board of the personally liable partner and to the Chairperson of the latter's Supervisory Board. The extensive company compliance system for monitoring adherence to legal requirements and internal corporate guidelines is part of our risk management strategy. The compliance management system has been created in accordance with the principles of the German Corporate Governance Code, version of 28 April 2022. The Sto Group has had a Chief Compliance Officer since 2018 and a Group-wide Code of Conduct since 2019.

A standardised whistle-blower system for compliance breaches is publicly accessible via our website at www.sto.de. This allows misconduct to be reported anonymously and to be comprehensively investigated around the clock, with whistle-blowers protected from sanctions. The system is open to employees, managers, customers, suppliers, and other stakeholders alike. It is administered by an independent operator and its data is stored on protected servers located in Germany. The contents of the reports are processed exclusively through Sto.

The effectiveness of the risk management and internal control systems is regularly examined in accordance with the relevant statutory requirements. Internal audits are carried out by Central Investment Controlling, by Group Accounting – which checks, for example, whether the accounting guideline is being applied and also checks the standard chart of accounts – and by the Internal Audit department. In the course of regular audits, the Internal Audit department checks the internal control system and risk management system, and examines and assesses the functioning and effectiveness of our risk management approach to help provide a better understanding of the risks. In addition, the chartered accountant inspects the system for the early detection of risks in accordance with the statutory regulations as part of their final audit to determine whether the monitoring system is suitable – in all key respects – for the early detection of threats to the Company's continued existence.

Audits completely independent of the processes concerned are also carried out by the Audit Committee of the Supervisory Board.

As regards the accounting process, this is checked externally by our Group auditor who, among other things, examines the inventory and reviews the disclosure and valuation of assets and liabilities as part of the legally required annual audit. Implementation of the accounting standards is monitored by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). Compliance with the tax regulations is checked by the audit authorities.

The Supervisory Board and, in particular, the Audit Committee receive regular information from the Executive Board of STO Management SE as well as from the auditor and the Internal Audit department.

Despite every care being taken, it is not possible to completely rule out the occurrence of decisions based on personal judgements, flawed checks, criminal actions by individuals, or other circumstances that may impair the effectiveness and reliability of the deployed internal control and risk management systems. Additionally, even seamless application of the deployed systems cannot fully guarantee the correct, complete, and timely recording and reporting of facts in the Group accounting.

Risk management system
For the active management of risks, Sto uses a comprehensive **risk management system (RMS)**, which forms an integral part of the business, planning, and control processes. This system allows us to identify and analyse risks in good time, to assess the expected effects on the assets and liabilities, financial, and income situation, and – where necessary – to introduce appropriate countermeasures.

The most important component of the RMS is a detailed **reporting system**, which records all operational activities in the Group both in terms of quantity and quality in accordance with a specified scheme. Defined key figures are constantly monitored so that we are able to identify undesirable developments at an early stage and quickly initiate countermeasures. This system is supplemented by a **risk manual** defining various risk categories, guidelines for assessing risks, and procedural instructions for every Group company. This manual is binding throughout the Group. Risks are managed and administered efficiently and transparently using a piece of risk management software that was implemented in 2021.

The Company's **risk-bearing capacity** has been determined and analysed. This is the maximum extent of risk that the Company is able to withstand without endangering its own continued existence over time. In order to be able to assess whether a threat to the Company's continued existence exists from the perspective of the assets, financial and income situation, the risk-bearing capacity has to be determined across the entire Group in relation to the overall risk position. The overall risk position across the entire Group is calculated as the gross risk less the effect of the risk management measures. The risk-bearing capacity was defined on the basis of KPIs (key performance indicators) and threshold values that would indicate possible over-indebtedness or insolvency. The existing risk management and early warning systems were enhanced to trigger prompt alerts on the basis of KPIs and threshold values should the overall risk position reach critical levels in relation to the risk-bearing capacity. The aim here is to ensure that the Company can take countermeasures in good time to keep the overall risk within an acceptable range. In order to determine the overall risk position of the Sto Group, the individual companies are asked to provide details of their quantified risk reduction measures. These are then deducted from the gross overall risk to give the overall risk position. In 2022, the overall risk position of the Sto Group – as determined via the risk inventory – was below the threshold values defined for indicating a problem in relation to the risk-bearing capacity.

Once a year, an annual **risk inventory** is carried out in order to categorise and document all current risks on a timely basis. To represent the significance of the possible effects that risks could have on our company, we create risk classes for both quantitative and qualitative individual risks. Risks assigned to risk class 1 are deemed to pose the highest level of risk. When classifying risks in the risk matrix, we consider both the probability of occurrence and the possible extent of loss or damage assuming the gross risk. The managing director of or the person responsible at the respective business unit is required to notify the central investment controlling department immediately of any new risks which are identified in the course of the year.

We have assigned each of our risk areas to a risk class. The development of each individual risk area is also stated. The development of the respective risk area is categorised in comparison to the previous year by describing it as unchanged, reduced, or increased.

Explanation of probability of occurrence

Low	< 5 %
Moderate	5 % to 20 %
High	20 % to 50 %
Very high	50 % to 100 %

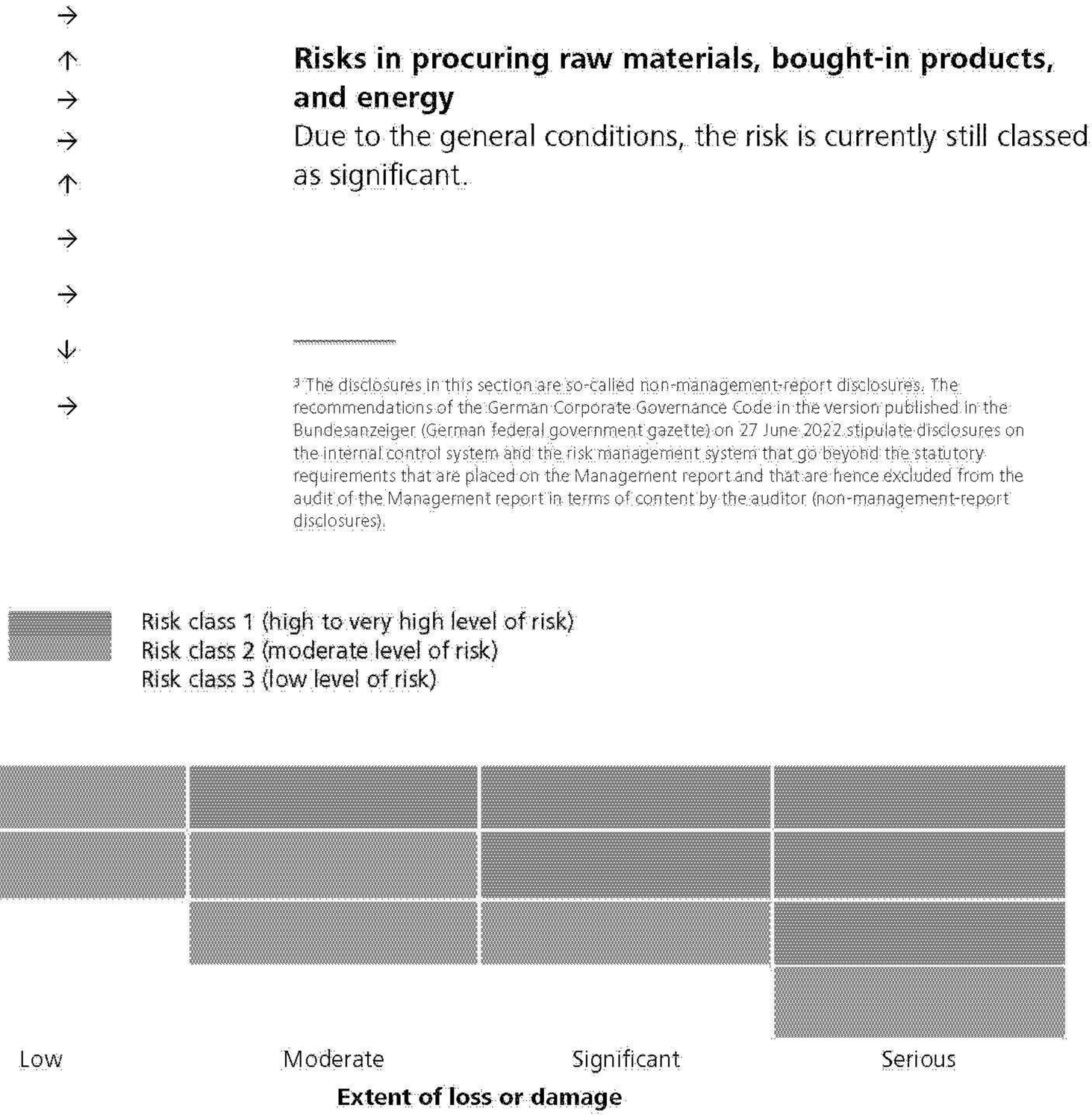
Explanation of extent of loss or damage

Extent of loss or damage		Definition of extent of loss or damage
Serious	> EUR 67 million	Significantly negative impact on earnings
Significant	EUR 32 million to EUR 67 million	Noticeable negative impact on earnings
Moderate	EUR 17 million to EUR 32 million	Negative impact on earnings
Low	< EUR 17 million	Slightly to moderately negative impact on earnings

Significant risks

Risk area	Risk class	Development
Risks in procuring raw materials, bought-in products, and energy	1	↓
Sales risks, overall economic and industry-specific risks	1	↑
Dependence on weather conditions	1	→
Geopolitical and country-specific risks	2	→
IT risks	2	↑
Warranty-related and legal risks	2	→
Financial risks	2	→
Human resources risks	3	↑
Risks concerning processes and added value	3	→
Climate and environmental risks	3	→
Risks arising from the coronavirus pandemic	3	↓
Tax-related risks	3	→

Risk matrix



Statement on the effectiveness of the internal control system and risk management system[3]

The Executive Board of the personally liable partner STO Management SE has initiated and implemented an integrated approach to governance, compliance, and risks that aims to ensure adequate and effective internal control and risk management. The measures implemented within the context of this approach aim to ensure the effectiveness and adequacy of internal control and risk management, and are described in the Risks and opportunities report, for example. The measures also include processes and systems for entering and processing sustainability-related data. Independent monitoring and audits take place, especially through audits by the Internal Audit division and its reporting to the Executive Board of the personally liable partner STO Management SE as well as to the Audit Committee of the Supervisory Board, and through other external audits. Based on the examination of the internal control and risk management as well as the reporting of the Internal Audit function, the personally liable partner and its Executive Board are not aware of any circumstances that speak against the adequacy and effectiveness of these systems.

Significant risks

The risks described below and their possible effects on our company are not an exhaustive list of the risks to which we are exposed. Even risks that were unknown or seemed insignificant at the time when this report was drawn up could have a detrimental impact on our business activities in the future.

Risks in procuring raw materials, bought-in products, and energy

Due to the general conditions, the risk is currently still classed as significant.

[3] The disclosures in this section are so-called non-management-report disclosures. The recommendations of the German Corporate Governance Code in the version published in the Bundesanzeiger (German federal government gazette) on 27 June 2022 stipulate disclosures on the internal control system and the risk management system that go beyond the statutory requirements that are placed on the Management report and that are hence excluded from the audit of the Management report in terms of content by the auditor (non-management-report disclosures).

To manufacture its products, the Sto Group uses raw materials such as lime, marble, and quartz sands, as well as dyestuffs and binders such as cement or dispersions. Risks could arise from concentration trends on the procurement markets, from a lack of capacity or plant availability on the part of suppliers, from insufficient availability of starting materials or relevant energy sources, such as natural gas or electricity, for the production of raw materials or bought-in products and products that we make ourselves, from political unrest, from acts of war – particularly the current Russia-Ukraine conflict, from increasing trade barriers or natural disasters, and the resulting delays or disruptions to supplies for Sto. As well as this, a rise in demand for certain raw materials and goods could cause supply bottlenecks.

The supply of goods to Sto could also be detrimentally affected by obstructions or disruptions in the logistics chain, for example due to border traffic difficulties, a lack of transport capacities or containers, such as sea containers, and restricted or non-existent fuel supplies. As raw materials, bought-in products, packaging, and energy get diverted to other priority customers – such as those in the medical, hygiene, and food sectors – supplies could be disrupted or interrupted. Disruptions to Sto's goods and energy supplies may cause Sto's production activities to be restricted or rendered impossible. For instance, the manufacturing capabilities of Innolation S.A.S., Liaver GmbH & Co. KG, Ströher Produktions GmbH & Co. KG, and Verotec GmbH would be directly affected by the restriction and suspension of gas supplies as an energy source. As a rule, the production, logistics and administration sites need the energy source of electricity to carry out their functions and would be directly affected by an interruption in the power supply ('blackout').

The problems could result in supply bottlenecks or even the suspension of deliveries of affected Sto products, in turn leading to negative consequences for the Sto Group's turnover and income situation. In addition, such bottlenecks may trigger recourse claims from our contractual partners.

The use of AI-based risk management software, which we introduced across the Group in 2020, helps us to identify weaknesses and risks at an early stage, and enables us to take proactive countermeasures. This has significantly improved the transparency of the supply chain and the effectiveness of risk management overall.

We tackle the detected risks through predictive procurement planning, by concluding contracts with our partners and suppliers early on, by consistently relying on the multiple-supplier principle, by sourcing internationally, and by adjusting our stocks according to the situation. Additionally, the Sto divisions involved in procurement, R&D, and production continually work to optimise the use of materials and make it more flexible in order to ensure a sustainable supply of the raw materials that are needed. To this end, alternative materials and suppliers are also taken into consideration. We reduce logistics risks through the Sto logistics network, which relies on various service providers and includes anticipatory stockpiling. We examine the options for substituting energy sources and, where possible, implement them promptly. Where risks specifically emerge, task forces appropriate for the situation are established without delay. Working in a highly focused manner, these teams define and implement suitable measures to minimise the impact of the risks that have arisen.

An imbalance between supply and demand in the case of the materials and resources required by Sto could, depending on the extent of the imbalance, also lead to drastic changes in procurement prices and, in turn, have corresponding consequences for the income situation.

Overall, a highly volatile trend in procurement prices has increasingly been seen over the past few years and this is often linked to global supply and demand. Price dependency can be observed in the case of raw materials and bought-in products that are made from substances based on crude oil. For example, these include dispersions and polystyrene insulation boards, or even plastic containers such as the Sto pails. In general, price interdependencies are due to the energy price level associated with energy-intensive processes for producing raw materials or bought-in products (such as cement or insulants made from mineral wool), or the resulting impact on the costs of transporting homogeneous bulk goods such as lime and sand. In our view, the demand for numerous speciality chemicals, for which there is a dwindling number of available suppliers around the world, is also set to increase further in the long run – particularly in emerging and developing countries. In the long term, the price trend is expected to continue to climb.

In the Sto Group, strong increases in procurement prices could trigger a significant rise in material costs. As it is not usually possible to pass price increases on to customers in the short term, this may cause the cost of goods sold to rise and hence reduce the Sto Group's EBT substantially.

In view of the number of items we handle and our procurement volume, bought-in products are becoming increasingly important to Sto. To handle quality assurance for these products, an independent group has therefore been established and is to be gradually expanded. In addition to actually monitoring the quality of bought-in products, further measures are being implemented, such as the conclusion of quality agreements with specific terms and the carrying out of supplier audits. (Risk class 1)

Sales risks, overall economic and industry-specific risks
Overall, we expect risks in the sales area to increase rather than decrease in the short to medium term.

However, as things currently stand, we do not expect any significant risks relating to future sales of Sto products over the long term, as the sales potential of facade systems should in principle remain very high thanks to a healthy stock of older buildings.

The Sto Group with its facade systems and coatings is dependent on the underlying trends in the construction industry to a substantial degree. Sales of building products respond directly to the general level of economic activity as well as to overall economic and tax-related conditions. A downswing in the main construction sector may lead to high levels of surplus capacity and intense competition accompanied by strongly declining sales prices.

The significant increase in the cost of construction and renovation measures caused in particular by the explosion in procurement prices in 2022 and the considerable rise in interest rates could lead to at least a temporarily noticeable reluctance to invest in property purchases and among property owners.

The level of demand is also determined by energy prices, particularly the price of crude oil and natural gas, and the impact that this has on the time it takes for energy investment measures to pay off. This means that there is a risk for the entire industry that the existing sales potential cannot be fully exploited if energy prices continue to fall or remain low. However, due to the current general conditions, this is a very unlikely risk for the 2023 financial year.

Demand in Germany – Sto's largest single market – plays a crucial role.

The public debate on the general advantages of facade insulation systems and their ecological impact that had been held in Germany in the past caused uncertainty among investors and, in particular, private building owners.

As the market leader, Sto may feel an above-average impact, which in turn may be reflected in corresponding levels of turnover and income losses.

The Munich-based Qualitätsgedämmt e.V., an association which was founded by German family-owned businesses and of which Sto is also a member, holds the belief that it is possible to bolster the confidence of users and investors in the long term by providing them with objective information and clear explanations of the product properties that facade systems offer.

Sto responds to the conflicting and, in some cases, highly exaggerated media reports that are particularly prevalent in Germany with objective, fact-based communication, additional quality measures, plus a quality management system that is tailored to the specific requirements of the insulants that are supplied.

Delays in political decision-making processes with regard to state subsidy measures can pose a risk in Sto's markets if potential building owners are reluctant to invest, which would result in a temporary drop in demand. Sto is addressing this risk through steps such as an objective line of reasoning intended to raise awareness among bodies and decision-makers involved in the process.

We counter the risk of external wall insulation systems being substituted with competing products and a certain trend towards serial and modular construction and refurbishment by continually developing the quality, safety, environmental compatibility, and cost effectiveness of our solutions. Inherent system weaknesses can be recognised through the analysis of product life cycles, allowing deficiencies that arise over time to be detected and eliminated. General technical progress offers Sto the opportunity to derive knowledge and use this to further develop and improve products and systems.

New technological and social trends, in particular the advancing digitisation in all areas of life, offer Sto opportunities for growth on the one hand by opening up new areas of business or improving process efficiency, but are also associated with risks. For example, Sto could be excluded from projects if digital requirements on the part of customers are not met or technological advances are not implemented. Sto has drawn up a comprehensive digitisation programme, which covers virtually every process in the Company and encompasses a wide range of projects. The aim is to exploit the opportunities arising from digitisation even more consistently for Sto and to integrate new digital products and services into the product range.

Disruptions in the supply chain can result in other trades on a construction or refurbishment project not being carried out or completed. As a result, there is a risk of Sto products or systems not getting delivered to the construction site on time or even at all because these (preceding) construction stages have to be finalised before our products and systems can be applied.

A significant rise in demand would be accompanied by the risk that it may not be possible to exploit sales potential to its full extent, at least over the short term, due to factors such as limited capacity in traditional trade enterprises. On top of that, it has become increasingly difficult to recruit new personnel, especially in the trade. This could potentially lead to restricted capacities of trade enterprises. We are doing everything we can to counter these risks through the varied activities of the Sto Foundation and the Sto Group that are aimed at arming Sto customers with the qualifications they need.

We counter the above-mentioned risks mainly through internationalisation of our business activities, which ensures regional diversification and makes us more independent of fluctuations in specific countries. This also puts us in a position to reduce subsidiary risks for the Sto Group resulting from market interest rate changes: significant rises in interest can result in a decline in construction investments. The risk is additionally spread thanks to the breadth and depth of the range, as well as the large customer base. Political decision-makers have committed themselves to pursuing aims relating to energy savings and CO_2 reductions more vigorously, which is increasing the likelihood of favourable general conditions being achieved. (Risk class 1)

Dependence on weather conditions

A major proportion of Sto's products is used on the exterior. This means that their application is dependent on weather conditions, something that Sto is unable to influence. Relevant factors are the absence of precipitation and the presence of appropriate temperatures. In particular, harsh and long winters at the beginning and/or end of a calendar year may result in turnover losses which may not be fully recovered due to limited processing capacities. The same applies to sustained periods of rainfall and hot spells. Conversely, favourable weather conditions can have a positive effect on business development. In most cases, weather-related fluctuations in turnover also have a significant impact on the earnings of the Sto Group.
(Risk class 1)

Geopolitical and country-specific risks

Possible political or armed conflicts could hamper the market conditions or access to the affected markets, the supply of relevant raw materials and bought-in products from these regions, and the use of transport routes – or render all of the above completely unfeasible.

Sto continuously monitors developments in critical countries and reviews the investment and market cultivation strategy in the affected regions in order to minimise risks.

Due to the escalation of the conflict between Russia and Ukraine and the resulting acts of war, the geopolitical risks have increased significantly overall.

The raw materials and bought-in products that Sto purchases directly from Ukraine have been and continue to be negligible in terms of their extent. The direct procurement of raw materials and bought-in products from Russia by Sto has been discontinued until further notice and had been negligible in terms of their extent in the past.

In 2022, the share of turnover generated by the Sto Group in Russia and Ukraine was less than 1 % of consolidated turnover. Sto has suspended deliveries to Russia until further notice. The continued existence of our Russian subsidiary is threatened by possible insolvency. The impact of the potential insolvency, liquidation, or nationalisation of our Russian subsidiary is currently classed as not significant for the Sto Group.

The consequences of the war and the sanctions immediately imposed as a result started to not only have a noticeable effect on the German economy from the first quarter of 2022 onwards; for the following year of 2023, further negative effects on the global economy are possible. In particular, another increase in energy prices, the procurement prices in general, the inflation risk, and the disruption or complete collapse of supply chains – along with the ensuing restricted availability of goods and resources – cannot be excluded.

The future development of the situation cannot be reliably assessed at the current time. Significant losses of growth could occur. In addition, the conflict and resulting sanctions are giving rise to new geopolitical scenarios, with the result that we could see a serious overall increase in the uncertainty surrounding the negative impact on the further development of the global economy and international capital markets, e.g. as a result of recession scenarios. This particularly applies if the conflict should spread geographically to a significant degree or extend over a long period of time, neither of which can be ruled out.

Another serious geopolitical risk comes in the form of a possible escalation in the conflict between China and Taiwan.

By constantly internationalising our business activities, which is one of the company's key strategic aims, Sto is well differentiated in the regions in which it is present. We are hence able to spread our business risk and compensate for fluctuations in individual countries to a certain extent.
(Risk class 2)

IT risks

A substantial proportion of all business processes as well as interactions with customers and business partners at Sto relies on IT systems and components. The core systems of the Group come from the suppliers SAP, Salesforce, and Microsoft. Malfunctions like system failures, attacks on networks, and the loss or manipulation of data have the potential to endanger Sto's process of 'The customer places an order, the customer receives their order'. This could result in declines in turnover and loss of reputation. The risks are detected through an active information security management system (ISMS). This is used to develop and monitor measures. These are implemented by a team of internal and external IT security experts and are subject to regular internal audits. The projects and initiatives launched in previous years have shown corresponding positive effects and outcomes. However, this is no reason to rest on our laurels. Further measures will also be initiated in the future to address the increasing risk of cybercrime.

Zero Trust is an important building block of Sto's security strategy. Sto still pursues a consistent 'cloud-first' strategy. This means that IT systems are preferably sourced from cloud service providers, provided that this makes economic and technical sense. In Germany, these systems must be able to demonstrate GDPR compliance and have an information security certificate that is recognised by the German Federal Office for Information Security (Bundesamt für Sicherheit). This means that Sto will benefit from the very high IT security standards in place at the cloud service providers.

The implemented and planned measures address the following main priorities:

Continuity:
The core systems necessary to the company's operating business, such as SAP, for example, are deployed in redundant and fully virtualised form. This ensures maximum continuity of the systems and the appurtenant services. Increasingly, essential IT services are available in the cloud. Another step towards

the cloud could be the planned change-over to the SAP version S/4 HANA so that fewer and fewer relevant services are provided through our own data-processing centre. At present, the economic impact of this is being examined before a final decision is made.

Operationally relevant IT services are thus available in two independent and spatially separated data-processing centres. Data critical to the Company is backed up daily and stored separately. For strategic reasons, only country-specific IT systems are operated in the subsidiaries. Terminal devices such as laptops, desktops, tablets, and smartphones are managed centrally and continually updated as part of a lifecycle approach.

Integrity:
To prevent unauthorised access to the information systems of Sto SE & Co. KGaA and its fully integrated subsidiaries, we use state-of-the-art IT security solutions that are available on the market. They serve to protect data, terminal devices, local networks, wide-area networks and data-processing centres. The IT regulations define our restrictive approach to issuing access authorisation, which is based on the principle of least privilege. The cloud-first strategy ensures that company-related data is stored, processed, and secured in compliance with GDPR directives. Users of IT systems are authenticated largely via a centralised and standardised identity and access service, which provides security functions such as multi-factor authentication, plausibility checks, application level protection, and monitoring. The more technical security measures increase protection, the less adept employees are at recognising and dealing with threats such as phishing. Corresponding training measures on the topic of cyber security and phishing were carried out in 2022 and will be further intensified in the 2023 financial year. Within Sto's internal communication channels, warnings and recommended courses of action in such cases are published on a regular basis. A knowledge database supports our workforce in dealing with cyber risks.

Availability:
The redundant configuration of all core systems and network connections ensures maximum availability for all key business processes. An automated monitoring system serves to continuously monitor system availability. Risks from system failures or an inability to update software components are being minimised by a gradual modernisation of all the relevant components. The continued standardisation of the IT environment helps to reduce complexities and increase efficiency in the implementation of security measures. As part of the 'Retrofit' project in our production environment and as part of a still ongoing roll-out, we are ensuring that IT systems meet the current requirements of Industry 4.0. In particular, protected networks are being operated, procured, and deployed in a way that is technologically fit for the future.

The digitisation of the construction and building materials industry is gradually changing construction methods and processes. Digitisation can also increase efficiency and productivity, for example through better management of inventories and production processes. A lack of progress in digitisation could therefore lead to a loss of efficiency and competitiveness. Sto is driving digitisation forward and making targeted investments in order to be able to take advantage of new digital developments.
(Risk class 2)

Warranty-related and legal risks
The general risks to which we are potentially exposed include, for example, the areas of product liability, anti-corruption law, antitrust law, patent law, tax law, competition law, data protection, and environmental protection. These risks can damage our reputation and adversely affect our business success. To ensure adherence to laws and regulations, we have established a compliance management system.

Ongoing research and development activities, and the introduction of innovations are of strategic importance for Sto. These open up opportunities to develop additional markets and buyer groups, and to reinforce the loyalty of existing customers. In addition, the analysis of product life cycles contributes to a higher risk transparency.

At the same time, however, innovations can involve risks. While new Sto products or product versions are only ever launched on the market once they have undergone extensive testing, it is not possible to completely rule out the possibility of warranty claims being made against Group companies. We reserve the right to react appropriately to recognised risks through adequate innovations, modification of mature products, or the adjustment of relevant processes.

The European Commission decided to classify the raw material titanium dioxide – a white pigment contained in various Sto products – as hazardous, despite the fact that there is no case worldwide of any health damage due to inhalation of titanium dioxide. We, along with the affected industry associations and recognised experts, have severe doubts about the legality of this regulation. Nevertheless, affected products will have to be labelled with additional warning messages in future, which may lead to questions and concerns for all involved in the supply chain, and ultimately result in declines in demand. For this reason, Sto is testing possible substitutes for titanium dioxide. In its ruling of 23 November 2022, the General Court of the European Union annulled the EU Commission's 2019 Regulation insofar as it concerns the hazard classification of titanium dioxide. The General Court of the European Union is of the opinion that the Commission made manifest errors of assessment in the classification of titanium dioxide. France and the EU Commission have meanwhile appealed against this ruling to the European Court of Justice, so that the dispute about the classification of titanium dioxide continues and the products must continue to be labelled with additional warning messages until the decision in the second court of appeal.

Within the framework of the European Green Deal, the EU Commission is also striving for a comprehensive reform of the chemicals legislation. Under the 'Chemicals Strategy for

Sustainability', various legislative initiatives are being driven forward, pursuing goals such as a pollutant-free environment, pollutant-free recyclable material cycles and the transition to inherently safe and sustainable chemicals. In the coming years, far-reaching bans and restrictions on chemical substances and their use are expected which will affect the manufacturers of chemical substances, but also 'downstream users'. Potential risks that could result for Sto are already being analysed in advance of the legal initiatives and possible alternatives are being developed so that safe and high-performance products for sustainable construction can continue to be offered in the future.

As the range of products we provide is rounded off by supplementary services, Sto is exposed to legal risk in the form of liability associated with consultancy services. For example, employees of Sto SE & Co. KGaA provide our customers with support in relation to tenders, quotations, technical issues, and building design details. Sto's in-house Liability Directive instructs all employees on how to handle such issues both internally and in their dealings with customers. This clear set of guidelines has led to a marked and transparent reduction in risks.

In order to limit the risks of liability, we engage the services of external advisors during decision-making procedures where necessary, including in relation to technical aspects.

For the Sto Group, protecting the personal rights of customers, employees, shareholders, business partners, and suppliers is an important and self-evident objective. With the General Data Protection Regulation (GDPR) coming into force on 25 May 2018, data protection became a much more pressing topic. All Sto companies subject to the scope of the GDPR have adapted to the new requirements and implemented governance structures and processes accordingly.

Risks can arise due to changes in general legal conditions, such as new classification and labelling obligations. One of the ways in which we counter these risks is by qualifying alternative raw materials.
(Risk class 2)

Financial risks

Sto works with internationally renowned insurance companies to insure material property and assets against loss caused by unforeseeable events such as fire, explosion, or natural disasters, and interruptions of operations resulting from this. Third-party liability damage caused by Sto or Sto products is also covered by insurance. We bear minor damage ourselves, while maintaining a sufficiently high coverage against major claims. In spite of our meticulous approach, the insurance coverage may turn out to be insufficient in isolated cases. The US insurance industry currently does not offer any sufficiently comprehensive and economically viable insurance coverage for product risks of facade systems and coatings. The effects of potential damages or liability claims in the USA on the financial situation and income situation of the Sto Group cannot be assessed reliably on account of the country's legal system. We regularly review the insurance coverage within the Sto Group and perform risk assessments in order to minimise the risk of underinsurance. For advise in this area, we engage the service of an internationally operating and experienced industry insurance broker.

Receivables risks arise if a contractual partner cannot meet its obligations or cannot meet them on time. To limit the financial consequences potentially arising from defaults on receivables, a credit management system has been implemented in the Sto Group. This takes into account the specific conditions prevailing in individual countries. In Germany, the most important component of the system in place is a set of rules containing guidelines for granting and monitoring goods credits. In selected markets, this risk of defaults on receivables is additionally countered by the use of commercial credit insurance. Trade receivables are assessed on the basis of the creditworthiness of the respective customer. Information is obtained and regularly updated to assess the credit quality of financial assets which are neither overdue nor adjusted. The default risk of financial assets in the form of trade receivables was taken into account by means of impairments.

As a result of the internationalisation of its business activities, Sto is exposed to currency risks. To control these, we carry out currency forwards that usually have a term of up to one year. Throughout the Group, relevant risks from foreign currency cash flows are analysed, recorded, and, where possible, reduced by applying suitable hedging measures at the budget creation stage. Our main focus is on the currencies of countries with which we maintain regular supply and cash flows necessary to maintain business operations. In the financial year of 2022, this applied to Switzerland, Sweden, Poland, and Hungary, among others. In specific cases and where necessary, we perform additional hedging. The changes in fair value were recognised in the statement of profit or loss with an impact on profit or loss in the year 2022 under review.

As a result of seasonal variability, the demand for liquidity to finance current business at Sto is subject to significant fluctuations. There is a particular need for cash in the first few months of a calendar year, whereas cash inflows dominate during the second half of the year. Risks arising from these fluctuations in payment flows are limited at Sto by the liquid funds. In addition, Sto has at its disposal an adequate and contractually guaranteed variable credit facility as part of a syndicated loan agreement, amounting to EUR 100.0 million. The term of this agreement ends in April 2027 and is equipped with two extension options of a year each until 2029. The syndicated loan agreement between Sto SE & Co. KGaA and a banking consortium includes a financial covenant that is in line with standard market terms. If the financial covenant is not met, the banks ultimately have the option of terminating the credit agreement. This poses the risk that credit tranches drawn will be declared due within the terms of the syndicated loan agreement. This risk is being mediated through ongoing key figure monitoring and simulation based on the current

earnings projection, and through earnings-securing measures resulting from this. Furthermore, the syndicated loan agreement includes two individually agreed upon key performance indicators (KPIs). These were selected from the areas of environmental protection and corporate governance. Depending on the achievement of the KPIs, the interest margin may decrease or increase.

In connection with the portfolio of derivative financial assets, there generally are default risks due to the risks of financial institutions or issuers failing to honour their obligations. The resulting risk was controlled by means of diversification and the careful selection of counterparties.

Financial investments with commercial banks and in government or corporate bonds will also be at risk if commercial banks and issuers are no longer in the position to honour their repayment obligations at the point of maturity. By and large, the Sto Group's financial investments are with banks that have good credit ratings, and in corporate bonds with first-class ratings. Financial investments with banks are partially covered by existing deposit protection.

In order to reduce our exposure to liquidity risks, we also maintain intensive communication with our banks and operate an active financial management system. This includes the use of derivatives in the form of interest swaps as a means of reducing the risk of changes in interest rates in the case of long-term, interest-bearing liabilities to banks. In the 2022 financial year, we did not make use of interest rate swaps.

Sto's treasury activities are pooled and handled in an independent department. This measure secures the Group-wide recognition and control of financial resources for internal and external financing, and supports financial risk management. Consistent hedging strategies and clear rules for financial investments, foreign exchange transactions as well as internal and external financing are in place across the Sto Group worldwide. In the year under review of 2022, the structures and processes underwent further improvement and the financing costs were optimised. The Group-wide implementation of a central treasury management system and a payment transaction system integrated into SAP was continued in the course of a rollout project spanning several years. The aim here is to further improve transparency and security. The key features of a treasury directive with a modular structure have been sketched out, with step-by-step expansion and implementation of the directive set to take place. Within the framework of this directive, only hedging transactions with approved counterparties may be concluded only to hedge existing or planned transactions. As a matter of principle, the type and scope of hedging operations are determined by the underlying transaction.
(Risk class 2)

Human resources risks
The expertise and enormous dedication of Sto employees are amongst the key building blocks of our corporate success. If, in the light of competition for skilled specialists and managers, we do not succeed in recruiting appropriate personnel, this may have a negative impact on our future corporate development. This risk may become even more serious in the medium to long term due to demographic trends, particularly in western industrialised countries. This makes it more difficult to find talented young professionals, and the number of people leaving the company for reasons of age will increase, resulting in loss of knowledge.
Sto SE & Co. KGaA has implemented numerous measures to eliminate these risks and position itself as an attractive employer.

For example, we provide extensive career development opportunities as well as excellent further and advanced training, and we take steps to make achieving a good work-life balance easier, e.g. through attractive regulations regarding working from home. This is to enable us to win over new professionals and managers, as well as foster the sense of loyalty felt by employees already working for the Sto Group. Sto is exploring the possibilities of using artificial intelligence and is carrying out measures to increase efficiency which helps to reduce a lack of human resources.
(Risk class 3)

Risks concerning processes and added value
Events outside of our control, such as natural disasters or fire, can heavily compromise production or operating processes in particular. This could in turn lead to bottlenecks or even stoppages resulting in a deviation from planned production volumes. We counteract such risks by introducing fire precautions, for example, and – when financially viable – by taking out insurance coverage.
(Risk class 3)

Climate and environmental risks
Production at Sto takes place in modern, largely automated plants. This means that manufacturing processes pose only minor environmental risks. We have also implemented an environmental management system in various Group companies, with certification in line with international standards. Please refer to the section 'Production and procurement' for more information about our environmental protection measures.
The increasing awareness of the serious consequences of climate change will lead to a different consumption and investment behaviour.

The general climate change and environmental damage caused by humans create risks for the macroeconomy and for Sto. Apart from singular extreme weather events such as regional heat and dry spells, flooding, or natural disasters, climate change also leads to a long-term transformation of the general conditions. This includes, for example, the frequency and amount of precipitation, weather fluctuations, and an increase in average temperatures. These conditions could make working on construction sites temporarily impossible and would have an impact on the company's development of business.

The impact of climate change is a topic of concern for society, politics, and the economy worldwide. This means that sustainability, environmental protection, and climate change are no longer niche topics. The emerging need for transformation to an increasingly decarbonised economy may result in far-reaching political, legal and technical changes that can have a significant impact on our markets to meet climate protection requirements and to cater to the adaptation to climate change. Depending on the type, speed and focus of these changes, this may result in different, distinctive financial and reputational risks, but also opportunities for Sto.

Political measures to reduce climate-related damage could be, for example, a price increase or shortage of fossil energy sources. In terms of sales, the Sto Group would in turn benefit from these measures due to its business activities. As part of our planning processes we regularly monitor external early indicators and initiate appropriate measures in order to account for these changes.

At Sto, measures and products that contribute to decarbonisation and hence to the reduction of CO_2 emissions make up an essential part of the business model. The Company gears its organisation towards sustainability in a consistent manner. The Sto Group provides its customers with resource-efficient solutions that make a direct contribution to reducing energy consumption and CO_2 emissions, and continuously works on reducing its own CO_2 footprint.
(Risk class 3)

Risks arising from the coronavirus pandemic
In the 2022 financial year, the coronavirus pandemic continued to have a detrimental effect on national and international business. Our current assumption is that the coronavirus pandemic has been transformed into an endemic thanks to progress in the area of vaccinations and that further mutations of the virus will not lead to a renewed increase in infections along with drastic restrictions affecting the economy.

The situation would need to be regarded as critical if, over the longer term, legal measures put a stop to production and sales in the key markets, if raw material supply and logistics chains collapsed, or if health authorities mandated a continuing shutdown.
(Risk class 3)

Tax-related risks
As a company operating worldwide, Sto is subject to different tax legislations and regulations in various countries. Any changes to these tax rules may lead to higher tax expenses. In addition, changes to laws and regulations can have a significant impact on tax demands and liabilities, as well as on deferred tax assets and liabilities of the Company. Moreover, uncertainty in the tax environment in some regions can restrict the company's ability to exercise its own rights.

Sto also operates in countries with complex tax regulations which could be interpreted in various different ways. Any future interpretation or development of the tax system could impact tax liabilities, profitability, and business activities.

Sto counters the risk, for example, by applying a transfer pricing system that meets the requirements of the Organisation for Economic Co-operation and Development (OECD).

Sto is subject to regular audits by financial authorities in relation to taxes and levies. Tax and duty-related risks are identified and evaluated on an ongoing basis with the support of local, external tax specialists. Measures to reduce or avoid tax risks are proactively developed and implemented within the framework of our tax compliance management system.
(Risk class 3)

Overall risk exposure
The assessment of the overall risk for the Sto Group is carried out using our risk management system. Following an assessment of current and potential future individual risks, and taking into account the countermeasures already initiated as well as the opportunities for Sto, the Executive Board of the personally liable partner STO Management SE has come to the conclusion, in consultation with the Supervisory Board, that no assessable risks are discernible at present that could have lasting and significant adverse consequences for the asset, income and financial situation of the Sto Group.

The Executive Board of the personally liable STO Management SE is aware that the presented risks for the business activities are based on current evaluations which might turn out as incorrect in the future.

Opportunities report

Over the long term, we believe that due to our business activities, the opportunities will outweigh the risks, as the need for energy-efficient building refurbishment is set to rise even more in the future. Sto products and systems improve the energy efficiency of buildings and thus also contribute to climate protection. The ecological and economic advantages of a good building insulation that saves a lot of CO_2 emissions, energy and hence costs, result in a large sales potential worldwide. In particular as a result of the internationally defined climate action targets, a surge in demand is expected.

At EU level, the Green Deal, in particular, is expected to drive demand for external wall insulation systems even further. As the world market leader, Sto is likely to benefit from this to an above average extent. This package of measures, which aims to make Europe climate-neutral by 2050, also includes a surge in renovation in the construction sector, which plays a crucial role in climate protection. This sector is responsible for around 40 % of European energy consumption and 36 % of energy-related greenhouse gas emissions. Currently, only around a quarter of the total building stock in the EU meets modern energy standards, which makes for an enormous market

potential. To meet the EU's targets, a total of 35 million buildings in the EU will need to be energetically retrofitted by 2030. If this potential becomes effective in terms of demand, there is a significant opportunity for growth.

Government support programmes that several countries have launched in recent years are helping to tap this important climate protection potential and are having the desired effect in the countries concerned, such as Italy and France. There is a corresponding initiative in Great Britain as well, where the Energy Company Obligation required the major energy suppliers to carry out a certain number of insulation measures per year in socially disadvantaged households.

In Germany, energy-efficient building refurbishment for owner-occupied housing has been tax-deductible for private homeowners and apartment owners since 1 January 2020. According to our estimates, this stimulation should have a positive impact on the EWIS market in the medium term. A possible reorganisation of the subsidies for energy-efficient refurbishment in Germany, with a stronger focus on existing buildings, could considerably boost Sto's further business development due to its high level of expertise in providing solutions for refurbishment projects.

In addition, the very high gas and heating oil prices we are seeing at the moment is accelerating the need for energy-efficient building refurbishments. The economic benefits of having good thermal insulation become much more important as energy costs rise and the initial expenses are amortised much faster.

The focus on heat pumps in heating technology, which has been pushed by political decisions in particular in Germany, will promote the demand for energy-related refurbishment solutions in order to be able to achieve the desired effect of the heat pump technology.

At the same time, Sto products increase the value retention of buildings. They protect buildings from wear and tear, e.g. corrosion, and significantly extend maintenance and life cycles. In this way, we support, among other things, the goal pursued by the Federal Environment Agency (Umweltbundesamt) in Germany of prioritising the preservation, further development and conversion of the existing building stock. With our business model, we also support the preferred use of recyclable and renewable resources as well as the reuse of materials. In addition, Sto supplements its high-quality product and system range with digital tools, thus creating the prerequisite for convincing overall solutions.

It is not only in Germany that there is currently a lack of living space. From our perspective, this will lead to additional new construction measures in energy-efficient buildings, which can lead to additional opportunities for Sto.

Opportunities for organic growth arise especially due to general economic conditions in the markets important to Sto as long as the economy in regions for which we planned very conservatively, develop better than expected. Moreover, targeted internationalisation of our activities allows us to enter new markets and to intensify the development of business in countries in which we are already represented.

E. Outlook report

The Outlook report contains future-oriented statements that are based on the currently available information as well as the current assumptions and forecasts of the personally liable partner of Sto SE & Co. KGaA. These forecasts are subject to uncertainties and can hence deviate from the actual development to a significant extent.

The chapter 'Risks and opportunities report' contains opportunities and risks that are not part of the Outlook report and that could lead to clearly negative or positive deviations from the forecast development.

Global economy
The global economic development is expected to slow down even further in 2023. Although many economies showed unexpected resilience and the outlook improved noticeably, especially after the lifting of coronavirus restrictions in China at the end of 2022, high inflation and the Russia-Ukraine conflict remain determinants for the global economy, according to the IMF. The World Economic Outlook update of January 2023 forecasts a growth in GDP of 2.9 % for the year as a whole (2022: 3.4 %). In its assessment, the IMF warned against too much euphoria and pointed to numerous risks that would result in a deterioration of the economic situation: a worsening of the coronavirus situation in China, an escalation of the Russia-Ukraine conflict, and a debt crisis due to the monetary policy of the central banks.

For industrialised nations, the IMF expects a slight growth of 1.2 % for the year of 2023 (2022: 2.7 %). In the USA, an increase of only 1.4 % is expected (2022: 2.0 %), especially due to the impact of the rises in the key interest rate. In the eurozone, the tightening of monetary policy by the European Central Bank and the rise in energy prices are likely to have a dampening effect. Here, the IMF anticipates growth of 0.7 % (2022: 3.5 %). According to the experts, Germany will perform particularly weakly with GDP growth of 0.1 % (2022: 1.9 %).

According to the IMF, emerging and developing countries should have already hit their lowest point and are set to expand by 4.0 % overall in 2023 (2022: 3.9 %). In addition to India and the other Asian countries, China, whose economy is expected to grow significantly again by 5.2 % (2022: 3.0 %) after the end of the coronavirus restrictions, is one of the pillars of the good development.

Trends for the international construction industry
The **German construction industry** does not expect the situation to ease in 2023. In light of high material prices, rising mortgage interests, and weak order situation, the Hauptverband der Deutschen Bauindustrie e.V. (Main Association of the German Construction Industry) anticipates a decline in turnover in real terms of 6 %. High losses are expected in residential construction which accounts for about a quarter of consolidated turnover. A decrease in turnover in real terms of about 9 % is to be expected for 2023. In contrast to the significant decrease in new construction, refurbishment measures in residential housing stock are likely to remain stable or increase slightly due to the stable volume of subsidies for energy efficiency measures and the continuing high energy prices.

For the current year, the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry) expects sales in the area of building coating materials to drop by 4 %. Turnover is likely to remain at the previous year's level. Within the EWIS market, the market research institute B+L Marktdaten GmbH expects a recovery after the slight decline in sales in 2022 and forecasts a 1.5 % increase in sales for the current year.

The outlook for the **European construction sector** has dimmed considerably in view of the overall economic slowdown. The research group EUROCONSTRUCT assumes demand for construction to stagnate in 2023. While the industry was still benefiting from high order backlogs at the beginning of the year, new orders, which are important for further development, increasingly failed to materialise in the last months of 2022. Furthermore, projects were postponed due to the worsened general conditions. The network expects the strongest impetus for 2023 from civil engineering, while residential construction volume is expected to shrink in the 19 member countries. The government's modernisation subsidies in Italy, which have significantly boosted demand in the last two years, play an important role. Non-residential building construction, the development of which is particularly dependent on macroeconomic factors, recorded a slight increase according to EUROCONSTRUCT.

According to GTAI (Germany Trade & Invest), the declining propensity to invest which is prevalent in the **USA** and which emerged in the course of 2022, is likely to have a particular impact on the construction industry from the second half of 2023 onwards. While most of the current building construction projects have already been financed, a significant decline in construction starts is expected in the second half of the year. The main reasons are rising financing costs, which are reflected in the private sector in particular, as well as ongoing supply chain problems and the shortage of skilled workers.

Economists expect the declines in the Chinese construction industry, which have been noticeable since 2022, to continue in the current year. From today's perspective, GDP will pick up again after the end of the coronavirus restrictions in China. However, according to GTAI, the real estate sector will be weakened by the misguided development of the last few years, in which numerous flats were built past demand. GTAI also expects further potential increases in interest rates to have a negative impact on the sector.

Projected performance of the Sto Group
Assuming normal weather conditions and not taking into account the impact of the further development of the Russia-Ukraine conflict, Sto expects a continuing positive business

development and, despite major challenges, a Group turnover of EUR 1.91 billion for the 2023 financial year. Broken down by segment, growth in turnover in Western Europe is likely to fall into the mid-single-digit percentage range and in America/Asia/Pacific into the lower two-digit percentage range. In the Northern/Eastern Europe segment, a decline in turnover in the low single-digit percentage range is expected, particularly due to currency translation effects, while an increase is planned in local currency.

Sto forecasts earnings before interest and taxes (EBIT) to fall between EUR 118 million and EUR 143 million, with earnings before taxes (EBT) of between EUR 117 million and EUR 142 million. The resulting return on sales is hence likely to be between 6.1 % and 7.5 %. Return on capital employed (ROCE) is expected to reach a value of between 14.8 % and 18.0 %.

The forecast is based on an average weather pattern and an economic development in line with expectations in Sto's key markets. In addition, the forecast is based on the assumption that the euro exchange rate will remain largely stable. A further key assumption is that the Russia-Ukraine conflict will neither lead to any significant impairment of demand in the markets relevant to Sto, nor to any restrictions regarding the conduct of Sto's business activities, nor to any impairment of the supply of raw materials, bought-in products, and energy at Sto.

The price increases on the **procurement markets** continued in net terms at the beginning of 2023. As described in the Risk report, it is currently not possible to reliably assess further developments and, in particular, the specific effects of the continuing Russia-Ukraine conflict on the Sto Group's future business performance. The aim is to at least compensate for the cost increases on the procurement side by further increasing our own sales prices, which the Sto subsidiaries must adequately implement in the course of 2023.

In 2023, the planned **volume of investments** in Property, plant, and equipment, and Intangible assets is increasing to EUR 71 million Group-wide, partially due to postponements from previous years. The largest individual investments include the completion of the second rotary kiln at our location in Illmenau (Thuringia)/Germany, and a new dry-production plant on our Sto premises in Dandenong/Australia. Moreover, investments will once again be made in the long-term measures that have been developed as part of our 'Retrofit' programme for modernising/replacing the production equipment.

The **number of employees** within the Sto Group is expected to further increase in 2023 in relation with the growing turnover volume. The size of the workforce is likely to grow moderately in countries with growth prospects. Meanwhile, targeted adjustments will also be made in subsidiaries battling difficult general economic conditions if necessary.

Strategic direction
The measures derived from the strategy review, which Sto has been implementing since the middle of 2021, focus on three key objectives: accelerating growth, increasing profit, and expanding its core competence. The implementation of the 14 core initiatives initiated for this purpose has been delayed compared to the original planning due to the difficult situation on the procurement markets and the related consequences. In the 2023 financial year, the Sto organisation will continue to focus primarily on managing the associated disruptions and the challenging task of ensuring customer satisfaction, so that some planned measures may be pushed back further in time.

One of the key elements of the alignment is the topic of sustainability, which has always been a pillar of Sto's framework of values. Sustainability was defined as a core competence of the Group during the strategy review and is included as an important aspect in several initiatives. Our business model already makes a major contribution to climate and environmental protection, which has gained enormous importance in social and economic life. Our products contribute substantially to improving the energy efficiency of buildings through energy-saving insulation measures.

We also strive to minimise the effects of our corporate activities on the environment, for instance, by increasing our energy efficiency at the Sto itself, harnessing renewable energy, making careful use of resources, and avoiding waste. When developing products, we are increasingly addressing new requirements that arise due to sustainable building concepts and focussing our efforts on the circular economy.

General statement on future development
Overall, the Executive Board of STO Management SE is optimistic for the year of 2023 as a whole and the years to come. Although the development of business is again coined by great uncertainties in the macroeconomic environment, we expect a turnover in the amount of EUR 1.91 billion and EBIT of between EUR 118 million to EUR 143 million. This is based on the opportunities described above that arise for Sto worldwide, for example in the area of facade systems. Good building insulation is indispensable for climate protection and the achievement of the internationally defined environmental goals in order to tap the related enormous energy and CO_2 savings potentials. We expect demand for external wall insulation systems to increase in the medium and long term, which is something that Sto as a leading supplier is expected to benefit from noticeably.

In addition to the clearly formulated strategy that we implement in a targeted manner, we benefit from our broad, optimally coordinated range of services that serves the needs of all target groups and allows building owners the highest degree of individual design freedom. The factors that support the success we have had in our corporate development include our solid international presence as well as the extensive sales base, customer-focused approach to logistics, and the excellent workforce.

Risks relating to the future development of business have a particular effect on procurement, e.g. arising from possible energy supply bottlenecks, and the consequences of the Russia-Ukraine conflict, which still cannot be accurately estimated.

Achieving our goals is not possible without the efforts of our employees. In the 2022 financial year, our employees have contributed with great commitment, flexibility, and mutual support to the fact that we have reached the targeted goals despite the great challenges that had to be overcome and have once again achieved new records in turnover and earnings. We appreciate this performance, want to promote it and honour it appropriately.

As a medium-term goal, the Sto Group is aiming for a turnover of EUR 2.1 billion and a return on sales of 10 % in relation to EBT by 2025.

Stühlingen/Germany, 3 April 2023
Sto SE & Co. KGaA
represented by STO Management SE
Executive Board

Corporate governance report / Corporate governance statement

In this report, Sto SE & Co. KGaA and its personally liable partner STO Management SE describe all the processes involved in the management and monitoring of the Company (corporate governance) as well as the key corporate governance practices in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and as stipulated in Principle 23 of the German Corporate Governance Code ('Code') on the corporate governance of the Company in the 2022 financial year (Corporate governance statement). This combined document is part of the annual report and, as such, is also published under 'Investor Relations' under the 'Corporate Governance & Compliance' section on the Sto website at www.sto.de. The Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG) is published in the 'Investor Relations' section of the www.sto.de website, under the category 'Vergütungsbericht gem. § 162 AktG' (Remuneration report in accordance with Section 162 AktG). Further information on corporate governance, such as the Supervisory Board's Internal Rules of Procedure including the definition of its committees as well as the Corporate governance statements of previous financial years, are also available at www.sto.de in the 'Investor Relations' section or as part of the Annual Report.

Sto is committed to responsible and transparent corporate governance with a focus on sustainable value creation. All internal decision-making and control processes in the Sto Group are based on this principle.

1. Sto SE & Co. KGaA's Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) regarding the recommendations of Regierungskommission Deutscher Corporate Governance Kodex (Governmental commission German Corporate Governance Code)

The current and previous versions of this declaration are published on the website at www.sto.de. They can be found under 'Entsprechenserklärung' (Declaration of Compliance) by going to the 'Investor Relations' area and selecting the 'Corporate Governance & Compliance' category. The substance of the declaration is reproduced below:

Statutory regulations, ethical standards, a sound financial policy, a strategy that is geared towards sustainability, and the German Corporate Governance Code all provide the foundation for our approach to corporate governance.

The German Corporate Governance Code in its version of 28 April 2022 was published in the Bundesanzeiger (German federal government gazette) on 17 May 2022. In accordance with Section 161 of the German Stock Corporation Act (AktG), listed companies are legally obliged to declare once a year that the recommendations made in this Code have been and are being complied with, or which recommendations have not been or are not being applied and the reasons why not. Companies may deviate from suggestions without any obligation to explain.

Particularities due to the legal form of 'KGaA'

Sto SE & Co. KGaA (referred to below as the Company) is a 'Kommanditgesellschaft auf Aktien', which is a German legal form that is roughly equivalent to a partnership limited by shares. The tasks normally performed by the Executive Board of an 'Aktiengesellschaft' (German legal form that is comparable to a public limited company) are instead performed by the personally liable partner because of statutory provisions contained within the German Stock Corporation Act. The sole personally liable partner of the Company is STO Management SE, which acts through its management body and thus through its Executive Board, which in turn is therefore responsible for managing Sto SE & Co. KGaA's business. For this, the personally liable partner receives the liability remuneration and expense allowance conforming to the Articles of Association.

In comparison to the Supervisory Board of an Aktiengesellschaft (AG, roughly corresponding to a public limited company), the rights and obligations of the Supervisory Board of a 'KGaA' are restricted. In particular, the Supervisory Board of the Company does not have the authority to appoint personally liable partners or their corporate bodies. Nor is it authorised to specify their contractual conditions, to adopt rules of procedure relating to management, or to define business transactions requiring approval. Instead, these tasks in relation to the Executive Board of STO Management SE are carried out by its Supervisory Board. The legal form of 'KGaA' does not have a labour relations director.

The Annual General Meeting of a 'KGaA' has essentially the same rights as the Annual General Meeting of an 'AG'; in addition, it decides on the approval of the annual financial statement of the Company. Numerous resolutions require the approval of the personally liable partner.

STO Management SE – acting through its Executive Board – as the personally liable partner of the Company, and the Supervisory Board of the Company jointly declare in accordance with Section 161 AktG (German Stock Corporation Act) that the Company complies with the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' (Governmental commission German Corporate Governance Code) with the following exceptions and taking into account the above-mentioned particularities specific to the legal form.

Since the submission of the last Declaration of Compliance, STO Management SE as the personally liable partner of the Company, and the Supervisory Board of the Company have complied with the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' (Governmental commission German Corporate Governance Code) with the exceptions listed in the last Declaration of Compliance.

Principle 6:
Due to the legal form, the Supervisory Board of the Company does not have the authority to define business dealings that are subject to approval for the personally liable partner and does not have any personnel authority regarding the personally liable partner as the management body of the Company and its internal structure.

Principle 8:
Due to the legal form, the Annual General Meeting does not have the authority to make decisions on the remuneration system of the personally liable partner. The personally liable partner of the Company receives the liability remuneration conforming to the Articles of Association and expense allowance conforming to the Articles of Association.

Principle 9, Recommendations B.1 to B.5
Due to the legal form, the Supervisory Board of the Company does not have the authority to make decisions on the personally liable partner as the management body of the Company and/or the composition of the corporate bodies of the personally liable partner. We refer to the introductory remarks on the legal form.

The personally liable partner informs that it essentially follows the underlying objectives of Recommendations B.1 to B.5. Insofar as Recommendations B.2 and B.5 refer to the Company's Corporate governance statement, the personally liable partner announces that it will include explanatory remarks there.

Recommendations C.6, C.7, C.8 and C.10:
Two out of the six shareholder representatives sitting on the Company's Supervisory Board have been members of the Supervisory Board for more than twelve years. These members do not exhibit any further characteristics that would indicate any potential dependence on their part as defined by Recommendation C.7. The Supervisory Board is satisfied that – regardless of how long they have been members of the Company's Supervisory Board – these members are sufficiently independent of the Company and the personally liable partner. By virtue of their personal economic and professional circumstances, neither of the two members is in any way reliant on their Supervisory Board activities for the Company. The Company takes the view that having a mix of different experiences, qualifications, and backgrounds is the key to optimum monitoring of the Company. The Chairperson of the Supervisory Board, who is one of the two members listed above, is therefore, in the opinion of the Supervisory Board, not to be regarded as dependent in the sense of Recommendation C.7, C.8, and C.10.

Recommendation F.2:
The Code recommends that the prepared and audited consolidated annual financial statement of the Sto Group be made available to the public within 90 days after the end of the financial year and that financial information during the course of the year be made available to the public within 45 days after the end of the reporting period. In accordance with Section 325 (4) of the German Commercial Code (HGB), it is mandatory that the Annual financial statement, the Consolidated annual financial statement of the Sto Group, the Management and the Group Management report as well as the other documents be disclosed within four months after the end of a financial year. As has been the case in the past, the Company will continue to disclose the consolidated annual financial statement of the Sto Group by the end of April of the following year and will make the financial information during the course of the year available to the public within 90 days after the end of the reporting period.

Principle 24, Recommendations G.1 to G.14:
Due to the legal form, the Supervisory Board of the Company does not have the authority to define the remuneration of the personally liable partner and that of the management body of the personally liable partner. As explained above, for the management of the Company, the personally liable partner receives a liability remuneration conforming to the Articles of Association and expense allowance conforming to the Articles of Association.

The personally liable partner has informed that it essentially follows the objectives underlying the Recommendations G.1 to G.14 with regard to the remuneration of the members of its management body. The personally liable partner informs that the remuneration structure for the members of the management body is currently designed on the basis of industry benchmarks and

that the monetary remuneration components of the members of the management body comprise fixed and variable components. Variable remuneration components are divided into a short-term and a long-term (several years) basis of assessment, each in relation to the development of the Company.

Recommendations G.15 and G.16:
Since the Supervisory Board of the Company does not have any authority with regards to the remuneration of the management body, the Recommendations cannot be applied due to the legal form. The personally liable partner and the Supervisory Board of the Company inform that the members of the management body of the personally liable partner do not receive any remuneration for exercising mandates on the Supervisory Board in the Group of the Company.

Principle 26:
Since the remuneration of the personally liable partner results from the Company's Articles of Association, the Principle is not applicable as specified due to the specific legal form. The personally liable partner informs that it will disclose the remuneration principles of its management body as part of the preparation of the annual financial statement and management report and that it will essentially follow the transparency goals of the remuneration report with regard to the personally liable partner as a whole. The Remuneration report also contains information on the remuneration of the Supervisory Board.

2. Remuneration report/remuneration system

Sto SE & Co. KGaA has a personally liable partner rather than an Executive Board due to the legal form of organisation. Therefore, the Remuneration report is produced in accordance with Section 162 of the German Stock Corporation Act (AktG) according to Section 278 (3) of the German Stock Corporation Act (AktG) by the personally liable partner instead of by an Executive Board.

Information concerning the remuneration and expense allowance paid to the personally liable partner STO Management SE and details of the main features of the remuneration system for the supervisory body of Sto SE & Co. KGaA can be found in the Remuneration report produced in accordance with Section 162 of the German Stock Corporation Act (AktG). The Remuneration report for the last financial year, the Independent Auditor's Report by the auditor in accordance with Section 162 of the German Stock Corporation Act (AktG) and the latest remuneration resolution of the Company's Annual General Meeting in accordance with Section 113 (3) AktG have been made publicly accessible and have been made permanently available for inspection by the statutory deadline on the Company's website at www.sto.de, where they can be found in the 'Investor Relations' section under the category 'Vergütungsbericht gemäß § 162 AktG' (Remuneration report in accordance with Section 162 AktG).

3. Disclosures on corporate governance practices

3.1 Disclosures on the Annual General Meeting at the 'Kommanditgesellschaft auf Aktien'

The Annual General Meeting of Sto SE & Co. KGaA essentially has the same rights as that of an Aktiengesellschaft (public limited company). In addition, it decides on the approval of the Annual financial statement of Sto SE & Co. KGaA. The shareholders exercise their rights at the Annual General Meeting. As the personally liable partner of Sto SE & Co. KGaA, STO Management SE is responsible for convening the Annual General Meeting and the timely dispatch of all statutory reports and documents, including the agenda. These documents and the Annual Report are also available on the Company's website. At the Annual General Meeting, the personally liable partner presents the Annual financial statement of Sto SE & Co. KGaA, the Consolidated annual financial statement of the Sto Group as well as the Management/Group management report for the previous financial year and explains the key events. Unlike the Annual General Meeting of an Aktiengesellschaft (public limited company), the Annual General Meeting of a Kommanditgesellschaft auf Aktien (roughly equivalent to a partnership limited by shares) cannot vote on the remuneration of the Executive Board or on a remuneration system, because there is no Executive Board in the case of this legal form. Rather, the (liability) remuneration and expense allowance for STO Management SE as the personally liable partner responsible for managing Sto SE & Co. KGaA, are determined on the basis of the legislation and the Articles of Association of Sto SE & Co. KGaA.

For shareholders who are unable or unwilling to exercise their voting rights themselves, a proxy of the Company who is bound by instructions is available at the Annual General Meeting. As at the end of 2022, Sto SE & Co. KGaA's subscribed capital amounted to an unaltered figure of EUR 17.556 million. Each of the 4.32 million limited ordinary shares (ordinary shares) grants one voting right. The 2.538 million limited preference shares (preference shares) do not have voting rights but take priority for the purpose of profit distribution and are entitled to a higher dividend. There were no shares with preferential or multiple voting rights.

3.2 Compliance/Measures relating to corporate governance

Over and above the legal requirements and the German Corporate Governance Code, Sto SE & Co. KGaA bases

its conduct on internal regulations and external standards. For example, Sto is a member of UN Global Compact. It is run under the auspices of the United Nations and defines ten principles in the areas of human rights, labour standards, environmental protection, and anti-corruption. Measures regarding the implementation of the Global Compact are listed in the Sustainability Report on the Company's website at www.sto.de in the 'Investor Relations' section under the category of 'Nachhaltigkeit & CSR' (Sustainability & CSR).

In addition, the Sustainability Report contains a comprehensive presentation of the sustainability goals and reporting on sustainability at Sto.

Our most important regulations within the Company include the 'Principles for Cooperation and Management within the Sto Group', which include a set of Group-wide practice guidelines for all employees and managers. In addition to regulations for internal work procedures, they also include information on the principles stipulated by Global Compact.

The purpose of consistent compliance management is to ensure adherence to company rules and values, and to make sure that all business practices within the Group are legally compliant. At Sto, compliance provides the foundation for integrity in the business arena. It underpins the Company's strong commitment to ethical and fair behaviour in its own organisation, and creates the framework for dealing with external partners.

Sto's compliance management system consists of several interconnected building blocks. It covers the areas of prevention, detection, and response, and is supported by the implemented risk management procedures, the directives, and extensive training and advice for employees worldwide. Ways and means are provided for reporting suspected or actual violations of company rules and statutory regulations in order to facilitate the detection and complete investigation of misconduct. Every instance of misconduct is investigated thoroughly.

By following the logical sequence of the PDCA cycle (Plan, Do, Check, Act), the compliance management system can be implemented using the optimum methodology and can be continuously developed by remedying weak points. The compliance risks can be recorded and integrated into the system independent from the risk owner and the individual risk. At Sto, compliance is integrated into the Company's operational and added-value processes from end to end, with implementation based on seamless communication. Responsible conduct is reinforced and indelibly imprinted on the minds of all employees through the 'tone from the top' strategy adopted by the Executive Board of STO Management SE. Moreover, legally compliant, risk-aware, opportunity-oriented, and informed action in a dynamic business environment help to ensure Sto's competitiveness and sustainable corporate success in line with Sto's corporate mission of 'Building with conscience.'

3.3 Accounting and auditing of financial statements

The accounting of the Sto Group is based on the International Financial Reporting Standards (IFRS) as applied in the European Union. The annual financial statement of the parent company Sto SE & Co. KGaA is based on the reporting standards of the German Commercial Code (HGB).

The annual financial statements of both the Sto Group and Sto SE & Co. KGaA, including the respective management reports, are audited by an independent auditing company elected at the Annual General Meeting following a proposal by the Supervisory Board. The election is preceded by an independence check in order to ensure that any conflicts of interest that might give rise to doubts concerning the impartiality of the auditor are ruled out at an early stage. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany, which was selected by the Annual General Meeting of Sto SE & Co. KGaA on 22 June 2022 to serve as the auditor and Group auditor for the 2022 financial year and subsequently commissioned by the Company, has issued a declaration to this effect.

The auditor responsible takes part in the deliberations of the Supervisory Board of Sto SE & Co. KGaA concerning the Annual financial statement and the Consolidated annual financial statement as well as in the corresponding Audit Committee meeting where the auditor reports on the key findings of their audit.

3.4 Transparency and external reporting

Sto SE & Co. KGaA informs its shareholders, financial analysts, the media, and the interested general public about important topics in a regular, timely and comprehensive manner. These topics include, in particular, the economic situation and development of the Company/Group, as well as important business changes within the Group. The Company uses a variety of media for this purpose.

Annual and interim reports, press releases, and voting rights announcements, inside information, all financial and sustainability reports, as well as other key information, can be found in the 'Investor Relations' area of the Sto website at www.sto.de. Much of it is also available in English. Annual and half-yearly financial reports are also lodged with and published in the German federal government gazette (Bundesanzeiger) and in the companies register on the day of publication.

Significant dates in the context of financial communication are continuously published in the financial calendar of the Annual Report and on the Company's website.

3.5 Effectiveness of the internal control system and risk management system

The Executive Board of the personally liable partner STO Management SE has initiated and implemented an integrated approach to governance, compliance, and risks that aims to ensure adequate and effective internal control and risk management. The measures implemented within the context of this approach aim to ensure the effectiveness and adequacy of internal control and risk management, and are described in the Risks and opportunities report, for example. The measures also include processes and systems for entering and processing sustainability-related data. Independent monitoring and audits take place, especially through audits by the Internal Revision division and its reporting to the Executive Board of the personally liable partner STO Management SE as well as to the Audit Committee of the Supervisory Board, and through other external audits.

Based on the examination of the Internal control and risk management as well as the reporting of the Internal Audit function, the personally liable partner and its Executive Board are not aware of any circumstances that speak against the adequacy and effectiveness of these systems.

4. Description of the operating principles of the personally liable partner STO Management SE and the Supervisory Board as well as the composition and operating principles of the committees

Sto SE & Co. KGaA is subject to the German stock corporation law. Sto SE & Co. KGaA being a 'Kommanditgesellschaft auf Aktien' (roughly equivalent to a partnership limited by shares), its corporate bodies are the personally liable partner STO Management SE, which is responsible for managing the Company's business operations, the Supervisory Board, and the Annual General Meeting. There is a separation in terms of personnel between management of the Company and monitoring of the Management Board in accordance with the statutory regulations. The tasks and authorities of the corporate bodies as well as the specifications for their operating principles and the composition of the management and governance bodies are essentially derived from the German Stock Corporation Act and the Articles of Association of Sto SE & Co. KGaA as well as the Internal Rules of Procedure. The Company's Articles of Association and the Internal Rules of Procedure for the Supervisory Board and its committees are available on the Company's website at www.sto.de in the 'Investor Relations' section under the category of 'Corporate Governance & Compliance'.

4.1 Personally liable partner

The sole personally liable partner of Sto SE & Co. KGaA is STO Management SE. The personally liable partner is responsible for the management of Sto SE & Co. KGaA based on the legal provisions of the German Stock Corporation Act and the Company's Articles of Association. The personally liable partner STO Management SE acts through its management body, i.e. its Executive Board, via which it governs and manages Sto SE & Co. KGaA on behalf of STO Management SE. Within this context, STO Management SE acts under its own authority and in the interests of the Company; this means aiming to achieve sustainable added value while keeping the needs of shareholders, employees, and other stakeholders in mind. In its work, the personally liable partner STO Management SE complies with all statutory regulations, and observes the Code as well as other recognised external standards, and company regulations. The personally liable partner, through its supervisory body, ensures long-term succession planning when appointing its management body by specifically observing internal and external persons with extraordinary potential, in some cases also involving external consultants, and is guided by the age limits for the Supervisory Board and, among other things, the standard age limits of the statutory social security system.

The personally liable partner STO Management SE develops the corporate strategy and ensures this strategy is implemented. Its tasks also include drawing up the Annual financial statement of Sto SE & Co. KGaA, the Consolidated annual financial statement of the Sto Group, the half-year financial report, and the interim reports. It makes arrangements that are necessary in order to ensure compliance with legal requirements and company-internal directives within the Sto Group (see Section '3.2 Compliance/Measures relating to corporate governance'), and is responsible for the establishment and further development of the control and risk management system. Detailed information about risk management is provided in the Group management report, which is part of the Annual Report.

Diversity, information concerning Sections 76, 111 of the German Stock Corporation Act (AktG)

Due to its legal form of organisation, Sto SE & Co. KGaA does not have an Executive Board but has a personally liable partner instead – i.e. the legal entity that is STO Management SE, which means that it cannot have a diversity concept in accordance with Section 298f. (2) No. 6 of the German Commercial Code (HGB) or specify what percentage of men and women should make up the body authorised to represent the Company.

In accordance with Section 76 (4) of the German Stock Corporation Act (AktG), Executive Boards of listed companies (börsennotierte Aktiengesellschaften) are

legally required to set target figures for the percentage of women at the two management levels below the Executive Board. At Sto SE & Co. KGaA, which does not have an Executive Board due to its legal form of organisation, this is the responsibility of the personally liable partner STO Management SE in accordance with Section 278 (3) of the German Stock Corporation Act (AktG). The latter promotes diversity as required by the Code, which it considers an important success factor for the future of the Group. Sto SE & Co. KGaA is committed to considering people from/with/of different age groups, professional qualifications, educational or occupational backgrounds, and genders in the composition of the Supervisory Board – as well as in the workforce. The Nomination Committee and the Supervisory Board also take account of this when submitting nomination proposals to the Annual General Meeting. Furthermore, industry-specific conditions and the current proportion of women in the workforce are also taken into account when setting the target quotas.

The personally liable partner STO Management SE has established the goal of achieving a women's quota of 4.0 % for management positions a level below the personally liable partner, i.e. the division manager level, and of 20.0 % for the department manager level by 31 December 2025. As at 31 December 2022, 0 % of the management positions at the division management level and 11.7 % of the department manager positions were held by women. By 31 December 2023, these percentages are expected to be at 0 % and 13.7 % respectively.

Despite the relevant requests having been submitted during the process of searching for candidates, it was not possible to find any suitable female candidates during the 2022 financial year. This means that the proportion of women at the second management level still falls short of the set quota target.

4.2 Supervisory Board

The Supervisory Board of Sto SE & Co. KGaA monitors and advises the personally liable partner STO Management SE in the management of its business. Furthermore, it checks for compliance with the statutory disclosure rules in the manner detailed by the Supervisory Board and is directly involved in all decisions of fundamental importance to Sto SE & Co. KGaA. The work of the Supervisory Board is governed by statutory regulations, the Articles of Association, the Code as well as by Internal rules of procedure. The latest versions of these are available on the company website at www.sto.de and can be found under 'Geschäftsordnung Aufsichtsrat' (Supervisory Board Internal Rules of Procedure) by going to the 'Investor Relations' section and selecting the 'Corporate Governance & Compliance' category.

In comparison to the Supervisory Board of an Aktiengesellschaft (roughly equivalent to a public limited company), the rights and obligations of the Supervisory Board of Sto SE & Co. KGaA are restricted. For instance, it does not have the authority to appoint personally liable partners or their corporate bodies. Nor is it authorised to specify their contractual conditions, to adopt rules of procedure relating to management, or to specify business transactions requiring approval. Instead, these tasks are performed by the Supervisory Board of STO Management SE in its capacity as the management body.

The Supervisory Board regularly engages in discussions concerning business development and planning, as well as strategy – including the sustainability strategy and its implementation. It audits the Annual financial statement and the Consolidated annual financial statement of the Sto Group, the combined Management report of Sto SE & Co. KGaA and the Group (including non-financial matters), and the Dependent company report. It approves the Annual financial statement and the Consolidated annual financial statement of the Sto Group based on the findings of the pre-audit carried out by the Audit Committee while also taking account of the auditor's audit reports. The Supervisory Board decides whether to accept the proposal by the personally liable partner concerning how the net income should be used and approves the Report of the Supervisory Board submitted to the Annual General Meeting. Together with the personally liable partner, the Supervisory Board is responsible for the Remuneration report. In addition, the Supervisory Board monitors compliance management and, in particular, also handles sustainability issues that fall under the heading of Environmental, Social and Governance (ESG). The Supervisory Board regularly receives reports from the personally liable partner concerning the Sto sustainability strategy and the status of its implementation. The Supervisory Board deals with the opportunities and risks associated with social and environmental factors on behalf of Sto, as well as the ecological and social impact of the business activities. The Supervisory Board and Audit Committee also discuss sustainability reporting. The Supervisory Board conducts an intensive review of the Consolidated annual financial statement of the Sto Group and the Annual financial statement of Sto SE & Co. KGaA based on the findings of the auditor, the audit procedures of its Audit Committee, and as part of its work within the full Supervisory Board. The personally liable partner discusses the half-year financial report and the interim reports produced within the first and second half year with the Chairperson of the Supervisory Board and the Chairperson of the Audit Committee, who consult with the other members of the Supervisory Board. Together with the personally liable partner STO Management SE, the Supervisory Board produces the Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG) and submits it to the auditor for auditing.

In preparation for the Supervisory Board meetings, committee meetings are held on a regular basis (see the information provided below in this report under 'Committees'), as are separate preparatory meetings involving the shareholder and employee representatives. The Supervisory Board also holds regular meetings without the personally liable partner. Each Supervisory Board member is required to declare any conflicts of interest to the Supervisory Board.

In the 2022 financial year, the Supervisory Board of Sto SE & Co. KGaA gathered for six ordinary meetings. The details of the work undertaken by the Supervisory Board and focal points of its meetings and committees are explained in depth in the Report of the Supervisory Board.

4.2.1 Efficiency review and professional development

The Supervisory Board and its committees regularly review how effectively the Supervisory Board is performing its tasks, both internally and with the involvement of external advisors. In the 2022 financial year, the Supervisory Board conducted an internal efficiency review as part of a separate organisational meeting without any representatives from the personally liable partner present. The Supervisory Board explored the efficiency of its monitoring and advisory activities at a separate professional development session and at two of the ordinary meetings of the Supervisory Board, which included separate agenda items dedicated to this. This enabled the Supervisory Board to engage in some professional development work covering associated requirements that had been newly imposed by the latest legislation. Particularly at the organisational meeting, the review was carried out in the context of a comprehensive self-analysis by all the members present, who were asked to analyse what had changed compared to previous occasions when this issue was addressed (as a means of assessing the level of progress made) and to define a catalogue of further optimisation measures. The organisational analysis took the form of a PDCA (Plan, Do, Check, and Act) cycle. An external lawyer was on hand at the meeting to assist with any legal questions that arose. The results of the review confirmed that cooperation is professional, constructive, critical, and characterised by a high level of trust as well as openness – both internally within the Supervisory Board and in its dealings with the management and supervisory bodies of the personally liable partner STO Management SE. The organisational meeting confirmed that meetings are organised and conducted efficiently, and that there is an adequate supply of information. No fundamental need for change was identified. Individual suggestions were and are being taken on board and implemented. Within this context, attention was – and is – paid to ensuring that the members of the Supervisory Board undertake adequate professional development that not only encompasses the latest developments in the area of legal requirements but also incorporates matters relating to the Company's business activities. In particular, whenever members of the Supervisory Board are newly elected, they are provided with comprehensive information and professional development training by way of either onboarding or refresher training.

4.2.2 Committees

To increase the efficiency of the activities of the Supervisory Board, committees with specialist qualifications are formed. The members of the committees are listed in the overview below. In 2022, the Audit Committee and Finance Committee met regularly in advance of the Supervisory Board meetings to discuss complex issues and prepare their findings for the full Supervisory Board meetings. Furthermore, the work of the committees is presented in detail in the Report of the Supervisory Board. The list shown below under 'Composition of the Supervisory Board and its committees' explains who sits on the committees.

The Audit Committee has particular responsibility for monitoring accounting and the accounting process. It is tasked with pre-auditing the Annual financial statement and Consolidated annual financial statement of the Sto Group, along with the combined Management report of Sto SE & Co. KGaA and the Group (including non-financial matters). After the financial statements have been audited by the auditor and the committee has carried out its own pre-audit, the latter submits proposals based on the auditor's report to have the Annual financial statement and Consolidated annual financial statement of the Sto Group approved by the Supervisory Board. The Audit Committee is responsible for discussing the Half-year financial report with the personally liable partner and the auditor. The Audit Committee also deals with reporting on non-financial matters and sustainability. Furthermore, the Audit Committee is tasked with checking the regulations governing company compliance and checking the risk monitoring system, the suitability and effectiveness of the Company's internal control system, the risk management system, and the internal auditing system. The internal Group Audit division reports regularly to the Audit Committee. The Audit Committee prepares the Supervisory Board's nomination proposal for the Annual General Meeting concerning the choice of auditor and submits a corresponding recommendation to the Supervisory Board. Before the nomination proposal is submitted, the Audit Committee checks that there are no doubts regarding the independence of the proposed auditor. Once the resolution has been passed by the Annual General Meeting, the Audit Committee awards the auditing contract to the auditor and monitors the audit process; the choice, independence, qualifications, rotation, and efficiency of the auditor; and the services provided by the auditor. It assesses the quality of the

audit on a regular basis. In addition to the chairperson of the Audit Committee, the Supervisory Board remains in regular dialogue with the auditor outside of the meetings as well. The Audit Committee also consults with the auditor regularly without the involvement of the Executive Board. The chairperson of the Audit Committee discusses the progress of the audit with the auditor outside of the meetings as well.

In accordance with the provisions of the German Stock Corporation Act, at least one member of the Supervisory Board must possess expertise in the area of accounting and at least one other member must have expertise in auditing. According to the Code, the expertise in the area of accounting must consist of specialist knowledge and experience in the application of accounting principles and use of control and risk management systems, while the auditing expertise must consist of specialist knowledge and experience in auditing, including accounting and auditing of financial statements as well as sustainability reporting and the auditing thereof. The Supervisory Board and its Audit Committee have at least one member with expertise in the area of accounting in the form of Kirsten Stotmeister and at least one other member with auditing expertise in the form of Dr Renate Neumann-Schäfer, who is the chairperson of the Audit Committee. The CVs of Dr Neumann-Schäfer and Ms Stotmeister are published on the Company's website at www.sto.de, where they can be found by selecting 'Führung und Management' (Leadership and Management) and then 'Unser Aufsichtsrat' (Our Supervisory Board). As can be seen from her CV, Dr Neumann-Schäfer also has many years of experience in auditing and sustainability after having served as a Chief Financial Officer (CFO) and as a member of various supervisory board audit committees at other listed companies. She also has in-depth knowledge and experience in the areas of accounting and internal control and risk management systems. As a result of the university research that she has been undertaking in connection with her doctoral project and her job as an investments manager, Ms Stotmeister has proven academic and practical knowledge and experience in the areas of accounting principles and internal control and risk management systems. The Chairperson of the Audit Committee is independent and, as a financial expert, has the special knowledge required for this position. This chairperson does not simultaneously serve as the Chairperson of the Supervisory Board and has not been a member of the Executive Board for the past two financial years.

The Finance Committee has particular responsibility for checking and discussing the Company's investment priorities based on the Company's overall strategy. In addition, it prepares the Supervisory Board's explanation of the Company's financial position and development of liquidity, including the annual plan (budget), and its explanation of the investments in property, plant, and equipment as well as any financial measures.

A Nomination Committee is formed if there are upcoming Supervisory Board elections. The Nomination Committee is tasked with proposing suitable candidates to the Supervisory Board so that Supervisory Board members representing the shareholders can be elected by the Annual General Meeting. Not only should every effort be made to ensure that the proposed candidates have the necessary knowledge, skills, and professional experience but also that the targets specified by the Supervisory Board concerning its composition are adequately taken into account while simultaneously meeting the skills profile. The Nomination Committee met once in relation to the elections that took place in 2022.

4.2.3. Composition of the Supervisory Board and its committees

The Supervisory Board is equally composed of shareholder and employee representatives in accordance with the German Co-Determination Act. The Supervisory Board members representing the shareholders are elected by the Annual General Meeting by a simple majority. Elections to the Supervisory Board are regularly held as individual elections. The Supervisory Board members representing the employees are elected in accordance with the provisions of the German Co-Determination Act.

In the 2022 financial year, shareholder and employee representatives were elected to the Supervisory Board as scheduled. In accordance with the provisions of the German Stock Corporation Act and Co-Determination Act, as well as the Articles of Association of Sto SE & Co. KGaA, the Supervisory Board of Sto SE & Co. KGaA was composed of an equal number of shareholder and employee representatives in the 2022 financial year, i.e. six shareholder and six employee representatives. These members are/were as follows:

Peter Zürn
Bretzfeld-Weißlensburg/Germany, Kaufmann (merchant), Member of the Supervisory Board since 27 June 2007, Chairperson of the Supervisory Board since 22 June 2022, Chairperson of the Nomination Committee since 22 June 2022

Niels Markmann*
Velbert/Germany, Chairperson of the General Works Council and Chairperson of the Works Council for the North-West Sales Region, Sto SE & Co. KGaA, Member of the Supervisory Board since 24 April 2020, Deputy Chairperson of the Supervisory Board since 22 June 2022, Member of the Finance Committee since 22 June 2022

Maria H. Andersson
Munich/Germany, Family Officer, Partner, Managing Director, Member of the Supervisory Board since 14 June 2017, Chairperson of the Finance Committee, Member of the Audit Committee until 22 June 2022

Thade Bredtmann* (from 22 June 2022)
Pfalzgrafenweiler/Germany, Vice President Human Resources Sto Group, Member of the Supervisory Board since 22 June 2022, Member of the Audit Committee since 22 June 2022

Klaus Dallwitz* (from 22 June 2022)
Maintal/Germany, Order Acceptance and Route Scheduling Administrator, Sto SE & Co. KGaA, Member of the Supervisory Board since 22 June 2022

Catharina van Delden (from 22 June 2022)
Munich/Germany, Entrepreneur, Member of the Supervisory Board since 22 June 2022

Wolfgang Dell* (until 22 June 2022)
Hattersheim/Germany, Plant Technology Maintenance Administrator, Sto SE & Co. KGaA, Member of the Supervisory Board from 1 March 2011 until 22 June 2022, Deputy Chairperson of the Supervisory Board until 22 June 2022, Member of the Audit Committee until 22 June 2022

Petra Hartwig* (from 22 June 2022)
Bad Zwesten/Germany, Trade Union Secretary at IG BCE, District Manager for the district of Freiburg, Member of the Supervisory Board since 22 June 2022

Frank Heßler*
Mannheim/Germany, Political Trade Union Secretary, Deputy Regional Manager of IG BCE for the regional district of Baden-Württemberg, Member of the Supervisory Board since 14 June 2017

Barbara Meister*
Blumberg/Germany, Chairperson of the Stühlingen Works Council, Sto SE & Co. KGaA, Member of the Supervisory Board since 1 June 2010, Member of the Finance Committee, Member of the Audit Committee

Dr Renate Neumann-Schäfer
Überlingen/Germany, Corporate consultant, Economist, Member of the Supervisory Board since 14 June 2017, Chairperson of the Audit Committee, Member of the Finance Committee until 22 June 2022

Cornelia Reinecke (until 22 June 2022)
Emmendingen/Germany, Head of Human Resources and Member of the Management Board of Sick AG, Member of the Supervisory Board from 14 June 2017 to 22 June 2022, Member of the Nomination Committee until 22 June 2022

Roland Schey* (until 22 June 2022)
Tengen/Germany, Head of Finance and Accounting of the Sto Group, Member of the Supervisory Board from 14 June 2017 to 22 June 2022, Member of the Finance Committee until 22 June 2022

Prof. Dr Klaus Peter Sedlbauer
Rottach-Egern/Germany, Chair of Building Physics at the Technical University of Munich, Member of the Supervisory Board since 27 June 2007, Member of the Nomination Committee

Martina Seth* (until 22 June 2022)
Bad Münder/Germany, Head of the Wilhelm-Gefeller Education and Conference Centre of the IG BCE, Member of the Supervisory Board from 14 June 2017 to 22 June 2022

Kirsten Stotmeister (from 22 June 2022)
Waldshut-Tiengen/Germany, Family Office Head of Finance/Treasury, Member of the Supervisory Board since 22 June 2022, Member of the Audit Committee since 22 June 2022, Member of the Finance Committee since 22 June 2022, Member of the Nomination Committee since 22 June 2022

Dr Max-Burkhard Zwosta (until 22 June 2022)
Wittnau/Germany, Chartered accountant and Tax consultant, Member of the Supervisory Board from 27 October 2005 to 22 June 2022, Chairperson of the Supervisory Board until 22 June 2022, Chairperson of the Nomination Committee until 22 June 2022

* Employee representatives

The current term of office ends, in principle, on conclusion of the Annual General Meeting in 2027. When proposing new members, the Supervisory Board must ascertain that the candidates can invest the necessary time involved and must examine their personal and business relationships with the Company, its corporate bodies, and major shareholders, any other criteria listed in C.6 of the Code concerning the independence of the candidates, while also ensuring that the necessary fields of expertise are covered to the required extent.

4.2.4 Diversity of the Supervisory Board/age limit

In accordance with Section 96 (2) Sentence 1 of the German Stock Corporation Act (AktG), it must be ensured that at least 30 % of the Supervisory Board consists of women or men respectively when new members are being appointed to the Supervisory Board of co-determined listed companies. The minimum percentage must be fulfilled by the Supervisory Board as a whole, unless the shareholder or the employee representatives object to the overall fulfilment in accordance with Section 96 (2) Sentence 3 of the German Stock Corporation Act (AktG). A corresponding objection

was agreed upon and declared unanimously by both the shareholder and the employee representatives on the Supervisory Board of Sto SE & Co. KGaA. Accordingly, the Supervisory Board must include at least two women and two men on both the shareholder and employee representative sides. This obligation is being fully met: currently, four of the six shareholder representatives and two of the six employee representatives on the Supervisory Board of Sto SE & Co. KGaA are women.

In Section 2 (1) of its rules of procedure, the Supervisory Board stipulates that Supervisory Board members should not normally serve beyond the end of the Annual General Meeting following their 70th birthday.

4.2.5 Expertise and diversity targets, and skills profile

The composition of the Supervisory Board ensures that it has the necessary expertise, skills, and professional experience required to properly carry out its tasks. All members of the Supervisory Board member are proven experts in their respective fields. At its meeting on 15 December 2022, the Supervisory Board agreed on a new skills profile that also incorporates the diversity targets within the meaning of Section 298f. no. 6 of the German Commercial Code (HGB).

The skills profile is published on the Company's website at www.sto.de, where it can be found by selecting 'Führung und Management' (Leadership and Management) and then 'Unser Aufsichtsrat' (Our Supervisory Board).

Skills profile matrix for the Supervisory Board of Sto SE & Co. KGaA

Experience and knowledge	Maria H. Andersson	Thade Bredtmann	Klaus Dallwitz	Catharina van Delden	Petra Hartwig	Frank Heßler	Niels Markmann	Barbara Meister	Dr Renate Neumann-Schäfer	Prof. Dr Klaus Peter Sedlbauer	Kirsten Stotmeister	Peter Zürn
Managing corporate groups, companies, associations, and networks	x	x		x	x	x			x	x		x
Construction sector (construction and building supplies), associated value chains and markets	x	x	x			x	x	x	x	x	x	x
Finance and accounting, legal affairs and risk management (compliance and governance), auditing (financial expert)	x								x		x	
Sustainability, internationalisation, innovation, R&D, technology		x		x						x		
Digitisation, IT, business models, production technology	x			x				x	x	x		x
Sales and marketing, human resources, HR development, social affairs, communications, media	x	x	x	x	x	x	x	x	x			x
Other economic sectors outside of construction	x	x		x	x	x			x	x	x	x

The Supervisory Board will review the skills profile and targets as scheduled, and report on their further development and the achievement of the targets. The status of implementation is published annually in the Corporate governance statement in the form of a skills matrix. The current skills matrix can be found below.

As explained above, the Supervisory Board consists of six women and six men. At the time of drawing up this report, the ages of the members ranged from 37 to 67 years. The members of the Supervisory Board come from a variety of occupational and educational backgrounds, some of which are commercial/industrial and some of which are academic. Some members have worked as employees and others have been self-employed in the capacity of specialists or senior executives. One member is a professor at a German university. Various nationalities are represented on the Supervisory Board. Consequently, the Supervisory Board considers that its diversity targets are currently being met.

As can be seen, two out of the six shareholder representatives sitting on the Company's Supervisory Board have been members of the Supervisory Board for more than twelve years. These members do not exhibit any further characteristics that would indicate any potential dependence on their part as defined by Recommendation C.7 of the Code. The Supervisory Board is satisfied that – regardless of how long they have been members of the Company's Supervisory Board – these members are sufficiently independent of the Company and the personally liable partner. By virtue of their personal economic and professional circumstances, neither of the two members is in any way reliant on their Supervisory Board activities for the Company. The Company takes the view that having a mix of different experiences, qualifications, and backgrounds is the key to optimum monitoring of the Company.

Information in accordance with Sections 289a and 315a of the German Commercial Code (HGB) and explanations by the personally liable partner
Sto SE & Co. KGaA points out that only non-voting preference shares in its share capital are traded on an organised market within the meaning of Sections 289a and 315a of the German Commercial Code (HGB). Consequently, the following information is provided in the interest of transparency but without any legal obligation. The following information reflects the situation as at the balance sheet date of 31 December 2022.

Composition of subscribed capital
The subscribed capital of Sto SE & Co. KGaA amounts to a total of EUR 17,556,480.00. It is divided into 4,320,000 registered limited ordinary shares ('ordinary shares') and 2,538,000 limited preference bearer shares ('preference shares') at a notional nominal value of EUR 2.56 each.

Restrictions on voting rights or the transfer of shares
To the knowledge of the personally liable partner STO Management SE, there are no restrictions relating to the transfer of preference shares. In accordance with Sections 4 (1), 16 of the Articles of Association of Sto SE & Co. KGaA, the preference shares do not confer any voting rights. Of the 4,320,000 ordinary shares, the Stotmeister family holds a total of 3,888,000 shares (Stotmeister Beteiligungs GmbH 3,887,996 shares, Jochen Stotmeister 1 share, Gerd Stotmeister 1 share, Helga Stotmeister 1 share, Heidi Heimburger 1 share), with 432,000 shares also being held by Sto SE & Co. KGaA as at the 2022 year end. The ordinary shares held by the family are limited in their transferability due to the fact that they are registered shares and hence require the consent of the Company, represented by the personally liable partner (furthermore by family-internal agreements), and are not traded on the capital market.

Direct or indirect shareholdings in capital exceeding 10 % of the voting rights
The 432,000 ordinary shares held by Sto SE & Co. KGaA do not have any voting rights. As described above, the remaining ordinary shares are held by the Stotmeister family, who thus holds 90 % of the shares that fundamentally carry voting rights.

Holders of shares with special rights
At Sto SE & Co. KGaA, there are 2,538,000 preference shares with a special right in the form of an advance dividend in the amount of EUR 0.06 as well as a minimum dividend in the amount of EUR 0.13 per preference share in accordance with Section 16 of the Articles of Association of Sto SE & Co. KGaA.

Type of control of voting rights in case of employee shareholdings
The employees have no autonomous shareholding in Sto SE & Co. KGaA. Nevertheless, no employee is prevented from acquiring and selling preference shares on the capital market.

Appointment and dismissal of the management board as well as amendments to the Articles of Association
In the legal form of a 'Kommanditgesellschaft auf Aktien' (roughly equivalent to a partnership limited by shares), the personally liable partner has the legal authority to manage and represent the Company. The personally liable partner of Sto SE & Co. KGaA is STO Management SE. The latter acts through its Executive Board. The co-determined Supervisory Board of Sto SE & Co. KGaA is not authorised to appoint or dismiss the personally liable partner or its Executive Board as the management body of STO Management SE. Rather, the personally liable partner has joined the company by means of a declaration. The appointment and dismissal

of the Executive Board of STO Management SE is carried out by the Supervisory Board of STO Management SE in accordance with the provisions of the Articles of Association and the law. As stipulated by Sections 278 (3), 133, 179 of the German Stock Corporation Act (AktG), amendments to the Articles of Association of Sto SE & Co. KGaA require a resolution by the Annual General Meeting of Sto SE & Co. KGaA. This resolution requires a majority of at least three quarters of the voting share capital represented at the adoption of the resolution. Furthermore, amendments to the Articles of Association also require the consent of the personally liable partner STO Management SE in accordance with Section 285 (2) of the German Stock Corporation Act (AktG).

Powers of the personally liable partner STO Management SE, in particular with regard to the possibility of issuing or buying back shares
At Sto SE & Co. KGaA there is currently neither authorised nor contingent capital; no share buyback programme is in place either.

Material agreements of the Company under the condition of a change of control following a takeover bid
With the exception of a syndicated loan agreement, the Company has not entered into any significant agreements which would become effective in the case of a change in control. The aforementioned syndicated loan agreement stipulates legal consequences in the case that 50 % or more of the capital shares or voting rights in Sto SE & Co. KGaA are to be transferred to one or more persons acting in concert. This does not apply as long as Stotmeister Beteiligungs GmbH directly or indirectly holds more than 50 % of the capital shares and more than 50 % of the voting rights in Sto SE & Co. KGaA.

Compensation agreement of the Company with the members of the management body of the personally liable partner or employees in the event of a takeover bid
The Company has not entered into any compensation agreements with the members of the Executive Board of the personally liable partner or employees in the event of a takeover bid.

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated annual financial statements of the Sto Group (IFRS)

- Statement of profit or loss
- Statement of comprehensive income
- Statement of financial situation
- Statement of changes in equity
- Statement of cash flows
- Notes

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of profit or loss for 2022

in EUR K	Notes	2022	2021
1. Revenue	(1)	1,787,386	1,590,529
2. Changes in product inventories		5,699	14,303
3. Other internally generated assets capitalised	(2)	69	63
Total revenues		**1,793,154**	**1,604,895**
4. Other operating income	(3)	28,892	25,561
5. Cost of material	(4)	−884,800	−760,515
6. Personnel expenses	(5)	−428,244	−404,972
7. Other operating expenses	(6)	−310,187	−269,537
8. Impairment (net) of financial assets	(7)	−4,306	−2,897
EBITDA (earnings before taxes, net financial income/expense, depreciation and amortisation)	(8)	**194,509**	**192,535**
9. Depreciation/amortisation of Intangible assets, Property, plant, and equipment as well as Rights of use	(8)	−64,829	−68,067
EBIT		**129,680**	**124,468**
10. Earnings from financial assets accounted for using the equity method	(9)	397	1,779
11. Interest and similar income	(10)	1,636	648
12. Interest and similar expenses	(10)	−3,414	−2,420
13. Miscellaneous financial income	(10)	0	3,461
EBT		**128,299**	**127,936**
14. Taxes on income and earnings	(11)	−39,219	−33,277
EAT		**89,080**	**94,659**
of which:			
Share of minority interests		−1,011	1,941
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA		90,091	92,718
Earnings per share basic/diluted in EUR			
Limited ordinary share	(12)	14.00	14.40
Limited preference share	(12)	14.06	14.46

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated statement of comprehensive income 2022

in EUR K	2022	2021
EAT	**89,080**	**94,659**
FVOCI valuation		
Valuation changes recognised in equity	–375	–18
Deferred taxes	134	5
FVOCI valuation after taxes	**–241**	**–13**
Currency translation		
Currency translation differences	2,623	5,285
Earnings to be reclassified in the statement of profit or loss in future periods	**2,382**	**5,272**
Revaluation of pension obligations		
Profits/losses from the revaluation of defined benefit plans	42,990	13,178
Deferred taxes	–12,288	–2,985
Earnings not to be reclassified in the statement of profit or loss in future periods*	**30,702**	**10,193**
Other earnings after taxes	**33,084**	**15,465**
Total comprehensive earnings after taxes	**122,164**	**110,124**
of which:		
Share of minority interests	–1,011	1,947
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA	123,175	108,177

*For further explanations concerning equity, see Note (22). For further explanations on the revaluation of pension obligations, see Note (24).

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated statement of financial position as at 31 December 2022

in EUR K	Notes	31 Dec 2022	31 Dec 2021
Assets			
A. Non-current assets			
I. Intangible assets	(13)	56,675	61,616
II. Property, plant, and equipment	(14)	296,046	287,397
III. Rights of use	(15)	78,809	85,944
IV. Financial assets accounted for using the equity method	(16)	2,227	1,830
Fixed assets		**433,757**	**436,787**
V. Non-current trade receivables	(18)	1,056	1,823
VI. Non-current other financial assets	(19)	39,866	48,358
VII. Non-current other assets	(20)	1,469	1,608
VIII. Deferred tax assets	(11)	18,674	30,197
Other non-current assets		**61,065**	**81,986**
Total non-current assets		**494,822**	**518,773**
B. Current assets			
I. Inventories	(17)	179,200	158,631
II. Current trade receivables	(18)	171,404	145,760
III. Current income tax receivables		4,688	3,413
IV. Current other financial assets	(19)	102,399	94,088
V. Current other assets	(20)	25,770	26,906
VI. Cash and cash equivalents	(21)	119,423	137,135
Total current assets		**602,884**	**565,933**
Total assets		**1,097,706**	**1,084,706**

in EUR K		Notes	31 Dec 2022	31 Dec 2021
Equity and liabilities				
A. Equity				
I.	Subscribed capital	(22)	17,556	17,556
II.	Capital reserves	(22)	57,804	57,804
III.	Revenue reserves and other reserves	(22)	608,604	529,987
Share attributable to the shareholders of Sto SE & Co. KGaA			**683,964**	**605,347**
IV.	Share of minority interests	(23)	1,093	4,702
Total equity			**685,057**	**610,049**
B. Non-current provisions and liabilities				
I.	Provisions for pensions and similar liabilities	(24)	82,084	122,204
II.	Non-current other provisions	(25)	15,665	18,347
III.	Non-current borrowings	(26)	932	1,915
IV.	Non-current lease liabilities	(27)	60,693	67,209
V.	Non-current other financial liabilities	(29)	4,798	214
VI.	Non-current other liabilities	(30)	478	24
VII.	Deferred tax liabilities	(11)	1,093	986
Total non-current provisions and liabilities			**165,743**	**210,899**
C. Current provisions and liabilities				
I.	Current other provisions	(25)	33,064	43,488
II.	Current borrowings	(26)	4,058	8,240
III.	Current lease liabilities	(27)	19,798	20,406
IV.	Current trade payables	(28)	67,138	63,250
V.	Current income tax liabilities		11,543	23,283
VI.	Current other financial liabilities	(29)	46,306	45,102
VII.	Current other liabilities	(30)	64,999	59,989
Total current provisions and liabilities			**246,906**	**263,758**
Total debt capital			**412,649**	**474,657**
Total equity and liabilities			**1,097,706**	**1,084,706**

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 31 December 2022

in EUR K	Equity attributable to the shares of the parent company			
	Subscribed capital	Capital reserves	Revenue reserves	Currency translation reserve
Notes	(22)	(22)	(22)	(22)
As at 1 January 2021	**17,556**	**57,804**	**526,389**	**–2,604**
EAT	0	0	92,718	0
Other earnings after taxes	0	0	0	5,285
Total comprehensive earnings	**0**	**0**	**92,718**	**5,285**
Dividend payout	0	0	–31,897	0
Other	0	0	453	0
Transactions with owners	0	0	0	0
As at 31 December 2021	**17,556**	**57,804**	**587,663**	**2,681**
As at 1 January 2022	**17,556**	**57,804**	**587,663**	**2,681**
EAT	0	0	90,091	0
Other earnings after taxes	0	0	0	2,623
Total comprehensive earnings	**0**	**0**	**90,091**	**2,623**
Dividend payout	0	0	–31,897	0
Other	0	0	0	0
Transactions with owners	0	0	–12,847	0
As at 31 December 2022	**17,556**	**57,804**	**633,010**	**5,304**

For further details on equity, see Note (22) et seq.

Reserve for pensions	Reserve for FVOCI valuation	Treasury stock	Total	Share of minority interests	Total equity
(22/24)	(22)	(22)		(23)	
–47,476	**0**	**–23,055**	**528,614**	**2,755**	**531,369**
0	0	0	92,718	1,941	94,659
10,187	–13	0	15,459	6	15,465
10,187	**–13**	**0**	**108,177**	**1,947**	**110,124**
0	0	0	–31,897	0	–31,897
0	0	0	453	0	453
0	0	0	0	0	0
–37,289	**–13**	**–23,055**	**605,347**	**4,702**	**610,049**
–37,289	**–13**	**–23,055**	**605,347**	**4,702**	**610,049**
0	0	0	90,091	–1,011	89,080
30,702	–241	0	33,084	0	33,084
30,702	**–241**	**0**	**123,175**	**–1,011**	**122,164**
0	0	0	–31,897	0	–31,897
0	0	0	0	0	0
186	0	0	–12,661	–2,598	–15,259
–6,401	**–254**	**–23,055**	**683,964**	**1,093**	**685,057**

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of cash flows for 2022

in EUR K	Notes	2022	2021
Cash flow from operating activities			
EAT		**89,080**	**94,659**
Reconciliation of EAT and cash flow from operating activities			
Taxes on income and earnings	(11)	39,219	33,277
Net financial income/expense	(9/10)	1,381	–3,468
EBIT		**129,680**	**124,468**
Depreciation/appreciation of fixed assets	(8)	64,829	68,067
Earnings from disposal of fixed assets		–1,558	–752
Other non-cash expenses/income		115	–2,945
Income taxes paid		–53,029	–32,417
Change in provisions		–10,235	–3,648
Change in net current assets		–34,496	–41,371
Cash flow from operating activities		**95,306**	**111,402**
Cash flow from investment activities			
Investments in Property, plant and equipment, and Intangible assets	(13/14)	–47,419	–41,933
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)		0	–16,602
Payments received from other disposal of Intangible assets and Plant, property, and equipment		2,449	1,768
Interest payments received		1,038	347
Disbursements for financial investments		–82,292	–46,389
Deposits from financial investments		83,671	51,742
Cash flow from investment activities		**–42,553**	**–51,067**
Cash flow from financing activities			
Payments to minority shareholders		–10,660	0
Disbursements for the repayment portion of the lease liabilities	(27)	–22,459	–22,003
Payments for non-current borrowings	(26/34)	–1,012	–1,135
Payments received for current borrowings	(26/34)	0	2,077
Payments for current borrowings	(26/34)	–4,151	–2,765
Dividend payout	(12)	–31,897	–31,897
Payments of interest		–1,672	–1,443
Cash flow from financing activities		**–71,851**	**–57,166**
Change in cash and cash equivalents from changes in exchange rates		1,445	3,946
Changes in cash and cash equivalents due to expected losses on cash and cash equivalents in accordance with IFRS 9		–59	–23
Cash and cash equivalents at the beginning of the period	**(21)**	**137,135**	**130,043**
Change in cash and cash equivalents		**–17,712**	**7,092**
Cash and cash equivalents at the end of the period*	**(21)**	**119,423**	**137,135**

The statement of cash flows is explained in Note (32).

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

Sto SE & Co. KGaA, Stühlingen/Germany

Notes to the consolidated financial statements as at 31 December 2022

General information

1. Information on the Company

Sto SE & Co. KGaA and its connected, dependent Group companies manufacture and market products, components, and functional systems – energetic and other – which are used in and on buildings and consist of material components and/or coatings. Services aimed at maintaining the value of buildings also form an integral part of the Company's scope of product.

The only shareholder of the personally liable partner STO Management SE, Stühlingen/Germany, is Stotmeister Beteiligungs GmbH, Stühlingen/Germany, in which the Stotmeister families have bundled their assigned Sto SE & Co. KGaA limited ordinary shares. The Stotmeister families hold equal shares in Stotmeister Beteiligungs GmbH via four Vermögensverwaltungs GmbH & Co. KGs (asset management limited partnership with a limited liability company as a general partner). There is a syndicate and pool agreement for the uniform exercise of voting rights and thus a control group.

Stotmeister Beteiligungs GmbH is the majority shareholder and ultimate parent company of Sto SE & Co. KGaA. The address of Sto SE & Co. KGaA's registered offices is Ehrenbachstraße 1, 79780 Stühlingen, Germany. It has been entered in the trade register of the district court of Freiburg under number HRB 711236.

Sto SE & Co. KGaA is a listed company. Its limited preference shares are listed in the 'Regulated Market' segment for official trading on the stock exchange operated by Deutsche Börse AG, Frankfurt am Main/Germany as well as Börse Stuttgart AG, Stuttgart/Germany. The other Group companies are engaged in the same business sector as Sto SE & Co. KGaA.

The Consolidated annual financial statement and Management report of Sto SE & Co. KGaA was drawn up on 3 April 2023 by the personally liable partner STO Management SE and will be forwarded to the Supervisory Board of Sto SE & Co. KGaA on 12 April 2023 for approval at the Supervisory Board meeting on 20 April 2023.

2. Basis of preparation

Sto SE & Co. KGaA has prepared its consolidated annual financial statement of the Sto Group for the year 2022 in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and the interpretations issued by the IFRS Interpretations Committee (IFRIC). The supplemental commercial regulations in accordance with Section 315e of the German Commercial Code (HGB) were also applied.

All standards and interpretations subject to compulsory application have been applied.

Effects of new accounting standards

The accounting principles applied remained largely unchanged from the previous year. The following standards and interpretations, which were applied for the first time in 2022, are an exception.

Standards/ Interpretations	Title	Applicable	Effects
Amendments to IAS 16	Property, plant, and equipment – Revenues before intended use	1 January 2022	Insignificant
Amendments to IFRS 3	Reference to the conceptual framework of the IFRS	1 January 2022	Insignificant
Amendments to IAS 37	Onerous contracts: Contract fulfilment costs	1 January 2022	Insignificant
Improvements 2018 – 2021	Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022	Insignificant
IAS 29	Financial Reporting in Hyperinflationary Economies	1 January 2022	Insignificant

The amendments to IAS 16 prohibit a company from deducting from the acquisition or production costs of a property, plant or equipment any revenue it earns from the sale of items produced during the period in which the asset was brought to its location and in a state that makes it available for use. In addition, there is a clarification of the definition of 'costs for testing'.

Costs and revenues relating to items produced that do not originate from the entity's ordinary business activities shall be reported separately and disclosed in the item of the statement of comprehensive income in which those revenues are recognised.

The amendments to IFRS 3 relate to references to the revised conceptual framework of the IFRS and additionally contain the exception that an acquirer must apply the regulations for recognising liabilities and contingent liabilities when identifying assumed liabilities within the scope of IAS 37 or IFRIC 21 instead of the conceptual framework.

Furthermore, IFRS 3 is supplemented by an explicit prohibition of recognition for acquired contingent receivables.

The amendments to IAS 37 concern the clarification that the fulfilment costs of a contract include all costs directly attributable to the contract. These include the additional costs incurred to fulfil the contract, e.g. direct labour and material costs as well as allocation of other costs that are directly related to the fulfilment of the contract. Before creating a provision, impairments of assets that relate to the fulfilment of the contract must be recognised.

The IFRS improvements 2018 to 2021 concern the selective revision of IFRS 1, IFRS 9, IFRS 16, and IAS 41. In accordance with IFRS 1, subsidiaries which become IFRS adopters later than their parent company, can measure their assets and liabilities at the carrying amounts applied at the parent company. This regulation is extended to include the cumulative currency translation differences of the subsidiary. With regard to IFRS 9, it is clarified which fees are included in the '10 per cent' test when derecognising financial liabilities. The new regulations contained in IFRS 16 refer to the amendment to Illustrative Example 13 accompanying IFRS 16.

The effects on the assets, liabilities, financial position and profit or loss of the Group are insignificant for the explained standards.

IAS 29 Financial Reporting in Hyperinflationary Economies

Since the financial year of 2022, Türkiye has been classified as a hyperinflationary economy in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. The activities in this country are therefore not accounted for on the basis of historical costs of acquisition or production, but are presented adjusted for the impact of inflation. The CPI (Tüketici fiyat endeks rakamları) consumer price index was used for this purpose. The value of the index applied at the balance sheet date was 1,128.45 (previous year: 686.95). The combined effect of valuation changes and currency translation is recognised in the currency translation reserve. As at 31 December 2022, this effect stood at EUR 457 K after recognition of deferred taxes of EUR 85 K. The monetary loss that arises from hyperinflation accounting amounts to EUR 172 K and is included in other operating expenses.

3. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) issued and not yet mandatory

Accounting standards not applied early

The IASB and IFRIC have adopted further standards and interpretations which were not applied in the reporting period because either recognition by the EU had still been pending or the application had not yet been mandatory.

The time of application in the Group is always the time when a regulation becomes mandatory.

Standards/ Interpretations	Title	Applicable	Effects
IFRS 17	Insurance contracts, incl. amendments to IFRS 17 and first-time adoption	1 January 2023	Insignificant
IFRS 16	Amendments to IFRS 16 Sale and leaseback	1 January 2023	Insignificant
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	Insignificant
Amendments to IAS 8	Definition of accounting estimates	1 January 2023	Insignificant
IAS 12	Deferred taxes from transactions where taxable and deductible temporary differences of equal amount arise on initial recognition	1 January 2023	Insignificant
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024	Insignificant

IFRS 17 will replace the regulations stipulated in IFRS 4. IFRS 17 requires a valuation model in which estimates are to be reassessed in each reporting period. Contracts are to be valued on the basis of probability-weighted, discounted cash flows, an explicit risk discount and a contractual service margin that recognises the profit from the contract not yet due in the statement of profit or loss.

The effects from changed discount rates can be shown either in the statement of profit or loss or alternatively in the statement of comprehensive income. In case of insurance contracts with short terms, a simplified method can be applied to determine the provision for future insurance coverage.

The amendments to IAS 1 clarify that liabilities are to be classified as either current or non-current depending on existing rights at the end of the reporting period. The classification is independent of the management's expectations and the events after the balance sheet date. Accounting is to be conducted with retrospective effect in accordance IAS 8.

IAS 1 clarified that companies shall disclose all material accounting policies. Material accounting policies are defined and explanations are provided on how to identify them.

The publication of intangible accounting information is to be refrained from, especially if it distracts from relevant information.

In addition to the amendment to the IFRS 1, IFRS Practice Statement 2 has also been amended to provide guidance to companies on the practical application of the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how to differentiate between amendments to accounting policies and accounting estimates. The differentiation is important because amendments to estimates affect the future, and amendments to accounting guidelines are past-oriented.

The effects on the assets, liabilities, financial position and profit or loss of the Group are insignificant for all the explained standards.

4. Companies consolidated

The consolidated annual financial statement of the Sto Group includes Sto SE & Co. KGaA, the national and foreign subsidiaries as well as joint ventures.

Due to the clear allocation, no significant assessments or assumptions were necessary when assessing the companies consolidated.

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 annual financial statement, this is the case for shareholdings of more than 50 % without exception.

In the case of joint ventures, Sto can exercise joint control over another company together with at least one other party via contractual agreements. Joint control is the case when decisions on the relevant activities of the company must be taken unanimously. Depending on the rights and obligations of the parties, joint agreements are either joint operations or joint ventures. In joint operations, the controlling parties have direct rights to the assets and obligations to the liabilities. In the case of joint ventures, the parties with joint control have a share in the net assets of the company by virtue of their status as partners.

In the case of associated companies, Sto SE & Co. KGaA has a material influence on the business and finance policy. This is usually the case when between 20 % to 50 % of the voting rights in a company are held. Consolidation is done using the equity method and only affected Inotec GmbH, Waldshut-Tiengen/Germany.

The subsidiary StoCretec Flooring AS, Moss/Norway, merged with Sto Norge AS, Langhus/Norway, in January 2022.
In January 2022, the subsidiary Sto Gulf Building Material LLC., Dubai/UAE, was dissolved and deconsolidated. No significant deconsolidation effects arose from this move. In November 2022, the remaining 48 % of shares in Sto Italia Srl, Empoli/Italy, were purchased. The Group had control of the company before as well as after the purchase of the shares. The fixed purchase price for the shares was EUR 10,660 K, and the variable purchase price was set at EUR 4,599 K as at the balance sheet date. As a result of the purchase, the minority-interest shares included in equity have been reduced by EUR 2,598 K compared to the previous year and have been added to the majority-interest shares in Group equity in the corresponding amount.

The companies consolidated are disclosed in Note (41) List of subsidiaries and investments. Sto SE & Co. KGaA hence prepares the consolidated annual financial statement for the smallest group of associated companies. The following fully-consolidated German companies organised as a 'Kapitalgesellschaft' (share capital company) or as a 'Personengesellschaft' (private company) according to Section 264a of the German Commercial Code (HGB) have fulfilled the conditions of Section 264 (3) and/or Section 264b of the HGB in terms of preparation facilitation options and disclosure and make use of the exemption rules:

- StoCretec GmbH, Kriftel/Germany
- Innolation GmbH, Lauingen/Germany
- JONAS Farben GmbH, Wülfrath/Germany
- Sto BTN GmbH, Stühlingen/Germany
- Liaver GmbH & Co. KG, Ilmenau/Germany
- Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany
- Ströher Produktions GmbH & Co. KG, Dillenburg/Germany
- Gefro Verwaltungs-GmbH & Co. KG, Stühlingen/Germany

Corporate acquisitions in the previous year
On 28 February 2021, through Sto BT GmbH, Stühlingen/Germany, which is a subsidiary of Sto SE & Co. KGaA, a community of property owners acquired the remaining 50.2 % of the equity shares and voting rights of Jonas GmbH, Wülfrath/Germany, and of JONAS Farbenwerke GmbH & Co. KG, Wülfrath/Germany, as well as the remaining 50.2 % of the co-ownership shares of the Jonas real estate. The purchase price was EUR 17.4 million. By owning 100 % of the shares, Sto BT GmbH has acquired control resulting in the incorporation into the consolidated annual financial statement of the Sto Group. Subsequently, JONAS Farbenwerke GmbH & Co. KG was merged with Sto BT GmbH before the latter was renamed JONAS Farben GmbH. Jonas GmbH, Wülfrath/Germany, was renamed Sto BTF GmbH in April 2021.

The JONAS company is one of the most efficient and productive manufacturers of wall paints and other water-based coating products on the professional market in Germany. JONAS operates a highly modern manufacturing plant in

Wülfrath/Germany, provides renowned service, and offers products of the highest quality. Furthermore, the company has developed into a specialist for private-label paints. The transfer of the shares by the sellers is agreed in the sales contract. All purchase agreement conditions precedent were fulfilled at the time of acquisition.

The fair value of the investments accounted for using the equity method and the proportionate share of the operating premises directly before the time of acquisition amounted to EUR 15,962 K. In comparison to the amortised acquisition costs of EUR 12,501 K this results in a profit of EUR 3,461 K. The fair values of identifiable assets and liabilities at the time of acquisition were as follows:

in EUR K	Fair value as at the time of acquisition
Intangible assets	5,045
Property, plant, and equipment	16,243
Inventories	5,522
Trade receivables	2,247
Other receivables and financial assets	537
Cash and cash equivalents	1,165
Total equity and liabilities	**30,759**
Provisions	221
Trade payables	1,064
Other financial liabilities	5,793
Other liabilities	882
Tax liabilities	125
Deferred tax liabilities	993
Total liabilities	**9,078**
Total identifiable net assets at fair value	**21,681**
Minority shares evaluated at the value of the net assets	0
Acquired shares evaluated at the value of the identifiable net assets	**21,681**
Goodwill from corporate acquisition	11,706
Transferred consideration	**33,387**

The consideration transferred consists of the at-equity investment given in an exchange plus the proportionate share of the operating premises of EUR 15,962 K and the purchase price of EUR 17,425 K for the remaining 50.2 % of the shares in Jonas GmbH as well as JONAS Farbenwerke GmbH & Co. KG and the remaining 50.2 % of shares in the operating premises. The goodwill from the company acquisition was based on the expertise of the acquired employees as well as growth opportunities. The goodwill deductible for tax purposes amounted to EUR 13,284 K. Please refer to Note (11) for information on deferred taxes.

The net amount of the receivables of EUR 2,247 K corresponds to the fair value thereof. This takes into consideration impairments amounting to EUR 53 K, which reflect the irrecoverable cash flow.

in EUR K	Cash outflow due to corporate acquisition
Transaction costs of corporate acquisition (contained in the cash flow from operating activity)	–574
Cash and cash equivalents acquired with the subsidiary (contained in the cash flows from investment activity)	1,165
Miscellaneous transaction costs (contained in the cash flows from investment activity)	–342
Outflow of cash and cash equivalents (contained in the cash flows from investment activity)	–17,425
Actual cash outflow due to corporate acquisition	**–17,176**

In the 2021 financial year, a turnover of EUR 30,737 K with losses after taxes of EUR 7,639 K was achieved. After the acquisition, a turnover of EUR 25,263 K with losses after taxes of EUR 7,764 K was achieved. This includes an impairment of EUR 10,009 K.

5. Consolidation principles

The assets and liabilities of the companies in and outside of Germany included in the consolidated financial statements are recognised and measured in accordance with the uniform accounting and valuation policies.

Receivables and liabilities as well as expenses and income between consolidated companies are netted. Inventories and fixed assets are adjusted for interim results. The income tax consequences of consolidation are taken into account through the recognition of deferred taxes.

The shares in joint ventures or associated companies accounted for using the equity method are valuated in accordance with the same accounting and valuation policies which are also applied to the determination of the share of equity of fully-consolidated companies.

6. Presentation of the major accounting and valuation policies

The current/non-current distinction was observed in the recognition of assets and liabilities. The statement of profit or loss was prepared using the total cost method. The financial year is identical to the calendar year. The consolidated financial statements were prepared in euros. Unless otherwise indicated, the values were rounded up or down to the nearest thousand euros (EUR K).

The accounting and valuation policies relevant for preparing the consolidated financial statements are as follows.

Currency translation
Monetary items (cash and cash equivalents, receivables and liabilities, etc.) are first translated at the rate prevailing on the transaction date and then measured at fair value through profit or loss as at the reference date. Non-monetary items recognised at historical costs of acquisition or production are translated using the rate at the time of the transaction.

The financial statements prepared in a foreign currency were translated in accordance with the functional currency principle using the modified closing rate method in accordance with IAS 21. On principle, there were no fluctuations in value of more than 10 % for the individual currencies. The Russian rouble, the Turkish lira and the Colombian peso are not taken into account here, as the fluctuations were insignificant for the Group.

The functional currency is defined as the national currency in question as the companies perform their business independently in financial, economic and organisational terms, and mainly in the currency of the respective country.

Assets and liabilities were translated at the closing rate, and expenses and income at annual average rates. Equity is translated at historic rates. Any resultant currency translation differences are recognised separately under equity and with no effect on profit or loss until such time as the subsidiary in question is deconsolidated.

EUR 1 =		Closing rate on		Average annual rate	
		31 Dec 2022	31 Dec 2021	2022	2021
AED	United Arab Emirates	3.92000	4.1769	3.8709	4.3464
AUD	Australia	1.56930	1.5615	1.5167	1.5749
BRL	Brazil	5.63860	6.3101	5.4399	6.3779
CAD	Canada	1.44400	1.4393	1.3695	1.4826
CHF	Switzerland	0.98470	1.0331	1.0047	1.0811
CLP	Chile	908.90190	968.8944	918.2570	899.0200
CNY	People's Republic of China	7.35820	7.1947	7.0788	7.6282
COP	Columbia	5,175.45740	4,628.4039	4,524.3751	4,479.8295
CZK	Czech Republic	24.11500	24.8600	24.566	25.6400
DKK	Denmark	7.43650	7.4364	7.4396	7.4370
GBP	Great Britain	0.88693	0.8403	0.8528	0.8596
HUF	Hungary	400.87000	369.1900	391.2900	358.5200
MXN	Mexico	20.85600	23.1438	21.1869	23.9852
MYR	Malaysia	4.69840	4.7184	4.6279	4.9015
NOK	Norway	10.51380	9.9888	10.1026	10.1633
PAB	Panama	1.06740	1.1372	1.0782	1.2078
PLN	Poland	4.68990	4.5994	4.6861	4.5652
RUB	Russia	75.65530	84.0695	73.1206	87.1527
SEK	Sweden	11.12180	10.2503	10.6296	10.1465
SGD	Singapore	1.43000	1.5279	1.4512	1.5891
TRY	Türkiye	19.96490	15.2335	17.4088	10.5124
USD	USA	1.06660	1.1326	1.0530	1.1827

Business combinations

Business combinations are accounted for using the acquisition method. The cost of acquisition of a company comprises the sum total of the consideration transferred, measured at fair value at the time of acquisition, and of the shares without a controlling influence (minority interests) on the company acquired. The purchaser valuates the shares of minority interests of the acquired company, either at fair value or at the corresponding share of the identifiable net assets of the company acquired.

Costs incurred within the scope of a business combination are recognised as expenses and reported as administrative costs within other operating expenses. An agreed contingent consideration is recognised at fair value at the time of acquisition. Any subsequent changes to the fair value representing an asset or a liability are recognised in the statement of profit or loss. A contingent consideration classified as equity is not remeasured, and its settlement at a later date is accounted for in equity.

When the Group acquires a company, the classification and designation of financial assets and liabilities in accordance with the contractual terms and conditions, and the economic circumstances and conditions are assessed.

Goodwill is the surplus of the consideration transferred and the shares without a controlling influence on the identifiable assets acquired and liabilities assumed. Such goodwill is submitted to testing once a year or as needed to determine any impairment in its value (impairment-only approach). In case of a lack of recoverability, the corresponding impairment is recognised accordingly. If the consideration transferred is less than the fair value of the net assets acquired, then the difference must be recognised with an impact on profit or loss.

In the case of successive corporate acquisitions, the previously acquired equity share is remeasured at fair value at the time of acquisition and the result is recognised through profit or loss.

Borrowing costs

Borrowing costs are interest and other costs incurred by a company in connection with taking on debt capital.

Borrowing costs which are to be directly assigned to the acquisition, construction or manufacture of an asset for which a substantial period of time is required in order to render the asset ready for its intended use or sale are capitalised as part of the cost of acquisition or production of the relevant asset. All other borrowing costs are recognised as an expense in the period in which they were incurred.

The Group did not hold any assets to which borrowing costs were directly allocated. The unallocated portion of borrowing costs was insignificant.

Intangible assets

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and additionally if there are indications of impairment, and are impaired if necessary.

As in the previous year, the useful lives for patents are generally 20 years, provided there is no lower statutory period of protection, 3 to 8 years for software, and 3 to 20 years for other intangible assets. These assets are depreciated exclusively on a straight-line basis.

To determine impairments, the carrying amount of the cash-generating unit (CGU), which is the smallest identifiable group of assets that generates cash inflows which are independent of the cash inflows from other assets or groups of assets, including the allocated goodwill, is compared with the recoverable amount of the CGU. The recoverable amount of a CGU is the higher value of fair value less cost of sale and the value in use, which, in turn, was determined on the basis of discounted future cash flows. As at the balance sheet date, the recoverable amount was determined on the basis of the value in use.

If the impairment from the determination of the value in use of the CGU is greater than the goodwill, the exceeding impairment is distributed across the remaining assets of the CGU taking into consideration the fair values of the assets as the lower value limit.

With the exception of Sto SE & Co. KGaA, Ströher, and Sto China, the CGUs are identical to the legal entities. The CGU Sto SE & Co. KGaA comprises Sto SE & Co. KGaA, Stühlingen/Germany, Verotec GmbH, Lauingen/Germany, and StoCretec GmbH, Kriftel/Germany. The Ströher CGU consists of Ströher GmbH, Dillenburg/Germany, GEPADI Fliesen GmbH, Dillenburg/Germany as well as Ströher Produktions GmbH & Co. KG, Dillenburg/Germany. The Sto China CGU consists of Shanghai Sto Ltd., Shanghai/China, Langfang Sto Building Material Co. Ltd., Langfang/China as well as Wuhan Sto Building Material Co. Ltd., Wuhan/China.

A 5-year plan as at 31 December 2022 for the financial years of 2023 to 2027 of the respective CGUs taking into account the expectation of a positive development in demand for thermal insulation and the planning of maintenance investments is the starting point for the valuation, usually based on the best possible consideration of all information available internally and externally. External factors such as forecasts based on the economic situation were used to determine turnover and gross profits. The main forecasts based on internal factors were related to empirical values with regard to steady turnover growth as well as the development of gross profit on the basis of the 5-year plan. For the CGUs, moderate growth rates of 1.0 % (previous year: 1.0 %) were assumed for the period beyond the planning horizon, as this adequately reflects the increasing uncertainty of future periods.

For discounting the cash flows, the weighted average cost of capital after taxes (WACC after taxes) were used as the discount factor, which differed by country-specific variations. Based on the respective WACC after taxes, the implicit WACC before taxes was determined by iteration. The WACC takes into account equity costs, which include a risk-free basic interest rate, the respective country risk, and the entrepreneurial risk (market risk premium multiplied by a specific beta factor), as well as borrowing costs. The WACC before taxes was between 9.4 % and 17.9 % (previous year: 7.4 % to 11.5 %).

The following pre-tax interest rates were used for CGUs which are key CGUs due to their goodwill (Sto SE & Co. KGaA, Beissier S.A.S., and Unitex Australia Pty Ltd): Sto SE & Co. KGaA 12.8 % (previous year: 9.1 %), Beissier S.A.S. 13.9 % (previous year: 10.5 %), Unitex Australia Pty Ltd 12.0 % (previous year: 9.6 %).

During the impairment test of the CGU VIACOR Polymer GmbH, a recoverable amount of EUR 9,408 K was determined. The carrying amount of the CGU was reduced through an impairment of goodwill of EUR 1,445 K and through an impairment of the customer base of EUR 447 K. The additional necessary impairment of EUR 85 K on the recoverable amount could not be allocated to any other assets.

The impairment tests of the CGUs Liaver GmbH & Co. KG and Sto China determined recoverable amounts of EUR 20,344 K and EUR 8,322 K respectively. The carrying amounts of the CGUs were reduced through impairment on goodwill of EUR 1,437 K and EUR 675 K respectively. The additional necessary impairment on the recoverable amounts of EUR 96 K and EUR 16 K respectively could not be allocated to any other assets.

The recoverable amounts of the impaired CGUs correspond to the values in use.

The discount rate before taxes used for the cash flow forecast is 12.49 % for VIACOR Polymer GmbH, 12.25 % for Liaver GmbH & Co. KG, and 12.09 % for Sto China. The reason for these impairments were the lower margin expectations and increased equity costs.
For all other CGUs, sensitivity analyses have shown that there was no need for impairment of goodwill even if the assumptions deviate. Within the framework of the sensitivity analyses, an increase of the average equity costs after taxes of 0.5 percentage points (previous year: 0.5 percentage points) and a decline in turnover of 5.0 % (previous year: 5.0 %) was assumed.

In the previous year, a recoverable amount of EUR 28,347 K was determined during the impairment test of the CGU JONAS Farben GmbH. The carrying amount of the CGU was reduced to the recoverable amount through an impairment of goodwill of EUR 10,009 K.

The recoverable amount of the impaired CGU corresponded to the value in use.

The discount rate before taxes used for the cash flow forecast was 8.73 % for JONAS Farben GmbH. The reason for these impairments were the lower turnover expectations and increased equity costs.

The essential goodwill items are listed in Note (13).

Property, plant, and equipment
Property, plant, and equipment are recognised at acquisition or production cost less cumulative depreciation and cumulative impairment losses.

The acquisition costs comprise the purchase price and incidental acquisition costs including import duties and non-refundable purchase taxes as well as any costs less acquisition cost discounts directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

The production costs comprise the expenses incurred in utilising goods and services for such a production or manufacture. This includes the directly attributable costs and a reasonable share of the necessary overheads.

Depreciation is calculated on a straight-line basis using the following useful lives.

	Useful life
Buildings	20 to 30 years
Fixtures to land	8 to 12 years
Technical equipment and machinery	8 to 10 years
Other plant, operating and business equipment	3 to 10 years

The useful lives and residual carrying amounts are audited regularly. Maintenance and small repairs are recognised through profit or loss. Plants under construction are assigned to Property, plant, and equipment and are recognised at their procurement and production costs. Depreciation/amortisation only takes place from the time of readiness for operation.

Financial assets accounted for using the equity method
These financial assets related to a joint venture for which there is a contractual agreement regarding the joint control of the company.

The shares are accounted upon addition at their cost of acquisition. Then the carrying amount of the shares is adjusted annually to recognise the share of earnings, distributed dividends, impairment, and other changes to equity. An impairment is recognised in profit and loss as the difference between the recoverable amount and the carrying amount of the share. If the reasons for an impairment no longer exist or

if the impairment has decreased, an appreciation in value is recognised with an impact on profit or loss.

Impairment of Property, plant, and equipment, and Intangible assets
Property, plant, and equipment, and Intangible assets are tested for impairment if there is any evidence that their carrying amount may no longer be recoverable. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded with an impact on profit or loss. The recoverable amount is the higher value of the net realisable amount and the value in use.

The net realisable amount is the amount which can be recovered from the sale of the asset less the incurred costs of sale, whereas the value in use is the present value of the estimated future cash flows expected from the use plus the remaining value at the end of its useful life. The recoverable amount is either determined for an individual asset, if it generates cash and cash equivalents independently from other assets, or for the cash-generating unit in total.

If the reasons for an impairment no longer exist or if the impairment has decreased, an appreciation in value is recognised as income. No reversal is made to an impairment of goodwill.

Leases
In accordance with IFRS 16, for all material leases, assets are recognised for rights to use leased assets and liabilities at present values for payment obligations incurred. The option created in IFRS 16.4 to exclude Intangible assets from the scope of IFRS 16 is generally used. The lease liabilities include the following lease payments:

- Fixed payments, less lease incentives payable by the lessor;
- variable payments that are connected to an index or interest rate;
- expected residual-value payments from residual-value guarantees;
- the exercise price of a call option if the exercise was classified as sufficiently certain;
- any penalty payments due to early termination of the lease.

Lease payments are discounted at the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted at the incremental borrowing rate of interest of the lessee. In determining the incremental borrowing rates of interest, reference interest rates for a period of up to 30 years from the yields of German and US government bonds were used. Countries that belong to neither the European nor the US currency area were allocated to the two currency zones approximately on the basis of the country-specific yields of government bonds. The benchmark interest rates were supplemented by a risk premium.

The interest expense is recognised with an impact on profit or loss in net financial income/expense over the term of the lease.

The rights of use are valued at acquisition costs and are composed as follows:
- lease liability,
- lease payments made on or before provision less lease incentives received, and
- initial direct costs.

Subsequent measurement is at amortised costs. The right of use is depreciated on a straight-line basis over the term of the lease or, if shorter, over the economic useful life of the leased asset. The useful life and the residual carrying amount of open-ended contracts are evaluated every two years on the basis of the 5-year plan.

In the case of leases with a term of no more than twelve months or leases with low-value assets of up to EUR 5 K, the Group applies the exemptions of IFRS 16.6 and recognises the lease payments of these contracts as expenses under other operating expenses.

In the case of contracts which include both lease and non-lease components, the Group has decided not to apply the practical expedient of IFRS 16.15 and separates the lease components from the non-lease components.

Inventories
Inventories were assessed as follows:
- Raw materials, processing aids, operating materials, and trading goods: – Weighted average price
- Finished products and work in progress: – Direct labour and material costs as well as a reasonable share of the production overheads, based on the normal capacity of the production equipment net of borrowing costs.

Inventories were recorded at the lower of acquisition or production cost and the net realisable amount. The net realisable amount is the recoverable selling price in the ordinary course of business less the costs of completion and the costs necessary to make the sale.

Financial instruments
In accordance with IFRS 9, a financial instrument is a contract that gives rise to a financial asset for one company and a financial liability or equity instrument for another, and that does not necessarily have to be in writing. Impairments are made on the basis of the expected-credit-loss method by anticipating future payment defaults already on the balance sheet date or by recognising specific risks through an individual impairment.

Financial assets are categorised as follows:
- Financial instruments measured at fair value through profit and loss (= FVTPL)
- Financial instruments measured at fair value with no impact on profit or loss (fair value through other comprehensive income = FVOCI)
- Financial assets at amortised costs (= FAAC)

Financial liabilities are categorised as follows:
· Financial liabilities at fair value through profit or loss (= FLTPL)
· Financial liabilities measured at amortised cost (= FLAC)

Financial instruments measured at fair value through profit or loss
Financial instruments at fair value through profit or loss include financial assets held for trading, derivatives as well as financial assets for which the fair value option was selected upon initial recognition.

Financial assets are classified as held for trading if the business model is designed to sell the financial assets in the near future or if the cash flows do not solely consist of interest and principal payments. Profits and losses in this category are recognised through profit or loss.

Reclassification to financial instruments measured at amortised costs depends on the nature of the asset and does not affect financial instruments designated at fair value through profit or loss under the fair value option.

Financial instruments measured at fair value with no impact on profit or loss
Financial assets are measured at fair value with no effect on profit or loss if the business model is designed to hold and sell the assets to generate cash flows and if cash flows consist exclusively of interest and principal payments.

Financial instruments in this category are measured at fair value and changes in value are first recognised in reserves with no impact on profit or loss. When a debt capital instrument is derecognised, the accrued profits or losses are reclassified to the statement of profit or loss ('recycling'). When an equity instrument is derecognised, any accrued gains or losses remain in equity without reclassification.

Financial assets at amortised costs of acquisition
In case of financial instruments measured at amortised acquisition costs, the business model is designed to hold assets to generate cash flows which consist exclusively of interest and principal payments and for which the fair-value option is not exercised.

After initial recognition, these financial assets are measured at amortised costs of acquisition using the effective interest method. Profits and losses are recognised through profit or loss when a financial asset is derecognised or impaired as well as through the amortisation process.

Financial instruments are classified upon initial recognition. Permissible and necessary reclassifications are carried out at the end of the financial year.

Receivables and liabilities are netted if the requirements for offsetting as stipulated in IAS 32 are met.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading as well as financial liabilities which are initially recognised as financial liabilities at fair value through profit or loss.

The Group did not make use of the designation of financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost
Financial liabilities measured at amortised costs are recognised at fair value taking into consideration transaction costs and subsequently measured using the effective interest method less principal payments and taking into account discounts and premiums.

Profits or losses are recognised through profit or loss upon derecognition or disposal. Derecognition is carried out if the obligation underlying the liability no longer exists.

If an existing financial liability is exchanged by some other financial liability of the same lender subject to substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are significantly changed, then such an exchange or modification will be treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognised through profit or loss.

Derivative financial instruments
In the Group, derivative financial instruments in the form of currency forwards are used for hedging currency risks in order to hedge the risk arising from fluctuations in the cash flow of highly probable future transactions.

Derivative financial instruments are recognised at fair value at the time the contract is concluded and measured at fair value through profit or loss in subsequent periods, with reference to current forward exchange rates for contracts with similar maturity structures. To that end, an asset or a liability is recognised in connection with an expense or income.

In the 2022 financial, there were no hedges satisfying the strict hedge accounting criteria.

Trade receivables and other financial assets
Trade receivables and other financial assets, with the exception of derivative assets and cash investments held for sale, were recognised at amortised acquisition costs.
The recognition of impairments is based on estimates regarding expected loan defaults (expected credit loss model) for all financial assets measured at amortised cost as well as debt instruments measured at fair value through other comprehensive income. To determine provisions for loss, IFRS 9 provides a three-level model. A risk provision is thus created at level 1 on the basis of the expected 12-month credit losses, or at level 2 on the basis of the expected credit losses over the term if the credit risk has deteriorated significantly since initial

recognition, or at level 3 if there was a specific risk of default on the financial instrument.

For trade receivables, a simplification rule was used according to which the credit losses expected over the remaining term of the financial instrument were recognised. The other financial assets included, on the one hand, financial investments with a good rating and a correspondingly low default risk, for which the expected credit losses were determined according to level 1. Loss anticipation was carried out via credit default swaps by recognising the costs necessary for hedging as provisions for loss. Furthermore, other financial assets essentially contained short-term loans to associated companies as well as creditors with debits, and bonuses and credits for which provisions for loss in accordance with level 1 were carried out on the basis of default probability determined by Creditreform.

The probabilities of default with regard to trade receivables were determined in accordance with IFRS 9 using the Group's historical default rates for defined periods of overdue payments and subsequently recognised as an impairment of the portfolio with an effect on expenses. This was based on a longer-term analysis period with the inclusion of country-specific data. Due to the consistency of the business model as well as a diversified customer structure, the determined historical default data could generally be extrapolated into the future, while it was also checked whether macroeconomic and country-specific factors could have an influence on the default rates and, if necessary, be taken into account when determining the impairments. The default probabilities used as at the balance sheet date reflected the existing risks in an adequate way.

On the basis of the business model and the industry affiliation, trade receivables showed a significant increase in the default risk if they were more than a year overdue. There was no significant increase in the default probability if they were more than 30 days overdue. The reason for this is the fact that the Group operated in projects-based business. This means that there were delays between completion and acceptance of the work by the client – something that is customary in the industry. The default risks are adjusted as needed.

Individual impairments were carried out if objective, substantial evidence suggested that there was an impairment on a trade receivable. Substantial evidence included, for example, considerable financial difficulties of the debtor or a breach of contract such as default on or delinquency in interest or principal payments. Furthermore, the amount of the impairments was also dependent on the respective dunning level of the underlying receivable. The final derecognition of a receivable occurred when insolvency proceedings were initiated, the debtor submitted an affidavit in lieu of an oath, or if it was foreseeable for other reasons that there would be no incoming payment. Derecognised trade receivables continued to be regularly reviewed for the possibility of recovery.

Furthermore, credit assessment of customers was carried out by obtaining information from credit agencies and various companies using credit management software, which was also used to determine the credit limit. If the individual credit limit was exceeded, approval of further deliveries was usually only given after an examination of the specific case.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and credit balances with banks including liquid deposits available at short notice with original settlement periods of a maximum of three months, which can be converted into cash and cash equivalents at any time, and which are not subject to any significant fluctuations in value.

The impairment was determined using the cost of hedging by means of credit default swaps with a maturity of twelve months.

Treasury stock
Sto SE & Co. KGaA's treasury stock was deducted from equity. The purchase, sale, issue and redemption of treasury stock is not recognised in profit and loss.

Pension provisions
Actuarial measurement of the pension provisions as part of defined benefit commitments is based on the projected-unit-credit method for defined benefit plans for pension schemes as defined in IAS 19. Under this method, the pension obligations and acquired entitlements existing at the balance sheet date are determined on the basis of average life expectancy, future salary and pension increases, the expected retirement age, and the expected fluctuation. Average life expectancy is estimated on the basis of acknowledged biometric models.
Actuarial gains and losses from the changes of assumptions are recognised after the consideration of deferred taxes in other earnings with no impact on profit or loss.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less existing plan assets which are used to directly settle obligations. The plan assets are qualified insurance policies that are protected against access by creditors and cannot be paid out to the Group. Valuation is based on the fair value that corresponds to the present value of the covered liability.

Other provisions
In accordance with IAS 37, provisions are formed for present liabilities towards third parties from a past event which is likely to result in a future outflow of economic resources, the amount of which can be estimated.

If the interest effect has a significant impact in connection with the settlement of the obligation, the provisions are recognised at the present value of the expected expenses, which also includes expected cost increases. The discounting is based on risk-free interest rates.

If the conditions for setting up a provision are not met but the likelihood of an outflow of resources embodying an economic benefit is not unlikely, the corresponding liabilities are reported under contingent liabilities.

Trade payables and other financial liabilities
Trade payables and other financial liabilities are measured at amortised cost of acquisition. Any differences between historical acquisition costs and the settlement amount are reported in accordance with the effective interest method.

Deferred taxes
As a matter of principle, deferred taxes are recognised for all temporary differences between the taxable amounts and the consolidated balance sheet.

Deferred tax assets on tax loss carryforwards are to be recognised if use is probable. They are not set up if a temporary difference arises from goodwill or from the initial recognition of other assets and liabilities which affects neither tax earnings nor commercial earnings.

Deferred tax assets which are not expected to be recognised in a defined period of time are impaired. At each balance sheet date, an assessment is made as to whether the asset is eligible for capitalisation.

Deferred tax liabilities are formed for temporary differences arising from shares in subsidiaries, associated companies, and joint ventures unless the parent company is able to control the reversal of the temporary difference and the temporary difference is unlikely to reverse within a defined time period.

Deferred tax assets and liabilities are netted if the deferred taxes relate to one and the same taxpayer and the same taxation authority and if there is a legally enforceable right to set off the tax reimbursement claims against tax liabilities.

Deferred taxes are measured taking into account the national income tax rates as at the date of realisation as well as on the basis of the tax law applicable at that time.

Deferred taxes are recorded as income or expense in the statement of profit or loss unless they relate to items recognised in equity with no impact on profit or loss. In this case the deferred taxes are also recognised in equity with no impact on profit or loss.

Recognition of income and expenses
Revenues from contracts with customers are recognised when control of the goods or services is transferred to the customer.

In the manufacture of products and systems for thermal insulation and building coatings, revenues from contracts with customers mainly result from deliveries of goods, which are generally recognised at the time of delivery. Payment is usually made 30 to 90 days after delivery. In addition, services are provided on a small scale for which the sales revenues are recorded in the time period in which the services are rendered.

Some contracts are designed in such a way that both an original delivery of goods and an associated craftsman's service are provided. These are service obligations to be accounted for as a whole, as the delivery and processing of the materials are related in accordance with the underlying agreement. Revenue is recognised when the service has been rendered in full.

For an insignificant part of the projects, income and expenses are recognised according to the degree of completion over their term. Income and expenses are recognised according to the costs incurred up to the balance sheet date in relation to the total incurred costs.

The Group was responsible for providing the statutory warranty for remedying defects. Provisions were made for expenses expected to be incurred as a result. Furthermore, in rare cases, the Group granted warranties that extended beyond the statutory period. These were separate performance obligations of the Group for which the sales revenues were deferred as contract liabilities on a case-to-case basis and were recognised with an impact on profit or loss over the contract term.

The amount of revenue recognised corresponds to the consideration expected to be received by the Group in exchange for the goods or services. If a contractual consideration includes a variable component, the Group determines the amount of the consideration to be received in exchange for the transfer of the goods or services. The variable consideration is estimated at the inception of the contract and may be included in the transaction price only if it is probable that there will be no significant change in the revenues or, respectively, if the uncertainty associated with the variable consideration is low.

In determining transaction prices, expected rebates and discounts are separated from the agreed price, both in the case of the separate sale of goods or services and in the case of the combined sale, according to the principle of individual valuation, without revenue being recognised for them.

In principle, payments to be received from customers are short-term, i.e. at the inception of the contract it is expected that the period between the transfer of the good or service and payment will not exceed one year. In this regard, the Group makes use of the relief regulation of IFRS 15 and waives the discounting of the consideration.

In addition, the Group makes use of the simplification regulation of IFRS 15.121 and does not disclose any remaining performance obligations whose underlying contracts have an expected original term of one year or less.

Revenue other than from contracts with customers is recognised if it is probable that economic benefits will flow and if the revenue amount can be determined reliably, irrespective of the time of payment. Revenue is measured at the fair value

of the consideration received or to be received, taking into account contractually agreed payment terms, excluding taxes or other levies.

Interest income and interest expenses are recognised for all financial instruments measured at amortised cost using the effective interest rate. This is the discount rate used to discount estimated future cash receipts and payments over the expected term of the financial instrument or, if applicable, a shorter period, to the net carrying amount of the financial asset or financial liability. It is reported in the statement of profit or loss as part of net financial income/expense.

Operating expenses are reported upon utilisation of the service or on the date on which they are caused.

Research and development costs
The main tasks of the research and development department are the identification of alternative materials, products, and processes. Research and development costs were recognised with an impact on profit or loss since capitalisation of the development costs in the form of Intangible assets was not possible in accordance with IAS 38 as the recognition criteria were not met. In the case of the development projects in question, it is only clear at a late stage whether the conditions for recognition are met, so that the expenses incurred prior to this are not eligible for capitalisation and, on the other hand, the expenses incurred from this point on are relatively low. In the year under review, research and development costs of EUR 15.9 million (previous year: EUR 14.6 million) were recognised with an impact on profit or loss.

Funding from the public sector
Funding from the public sector is recognised in accordance with IAS 20 if there is certainty that the conditions for the funding will be met in the form of conditions and that the funding will be granted.

Expense-related funding is collected through profit or loss in the period in which the expenses to be defrayed are incurred. The conditions to be fulfilled will be reviewed when the grant is called in in order to prevent repayments later on.

Events after the balance sheet date
Value-enhancing events occurring after the balance sheet date which provide significant information on the Group's situation as at the balance sheet date are included in the statement of financial position. Events occurring after the balance sheet date that impact value are disclosed in the Notes.

Discretionary decisions by Management
The preparation of the consolidated financial statements required discretionary decisions by Management, which affected the recognition and valuation of the reported assets, and liabilities, income, and expenses in the reporting period.

This affected segment reporting in accordance with IFRS 8, in which the operating business segments were divided into Western Europe, Northern/Eastern Europe, and America/Asia/Pacific in line with internal corporate governance and the internal reporting that follows this governance.

The financial assets include financial instruments that meet the business model condition and the cash flow condition. They were classified at amortised acquisition costs or, respectively, as financial instruments at fair value with no impact on profit or loss.

Estimates and assumptions by Management
The preparation of the consolidated financial statements requires Management to make estimates and assumptions on the basis of available information, which affect the recognition and valuation of reported assets, debt, income and expenses as well as contingent liabilities in the following areas.

In particular, the expected future business development, the circumstances prevailing at the time of preparation of the consolidated financial statements, and the development of the global and industry-related environment deemed probable were taken as a basis.

- **Impairment of non-financial assets**
  If the carrying amount exceeds the value in use, the value in use is compared with the fair value as a further impairment test. The calculation of fair value less cost of sale is based on data from binding sales transactions between independent business partners concerning similar assets or observable market prices less directly attributable costs of selling the asset in question. The discounted cash flow method is used to calculate the value in use. The cash flows are derived from the finance plan for the next five years, but without expansion investments. The value in use is also dependent on the discount rate as well as on the growth rate.

- **Taxes**
  Uncertainties exist concerning the interpretation of complex tax-related regulations, amendments to taxation law as well as the extent and time of origin of earnings taxable at a future date.

- **Pension benefits**
  The expense arising from defined benefit plans on termination of employment and the present value of pension obligations are determined by actuarial calculations. Among others, these parameters include future discount rates, the mortality rate, the expected age of retirement, and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation reacts sensitively to deviations from these assumptions.
  In determining the discount rate, Management relied for guidance on the interest rates of corporate bonds in the respective currency with at least an AA rating; these interest rates were adjusted to the expected term of the defined benefit obligation by extrapolation.

The mortality rate is based on publicly accessible mortality tables for the country in question. Future increases in wages and salaries as well as pensions are based on expected future inflation rates for each country. The age of retirement is determined on the basis of the experience specific to the company as well as future expectations.

- **Fair value of financial instruments**
  If the fair value of financial assets and financial liabilities recognised in the statement of financial position cannot be measured by means of data sourced on an active market, it will be determined using valuation methods, including the discounted cash flow method. The parameters included in the model are based on observable market data as far as possible.

- **Impairment of trade receivables**
  Impairments were made for trade receivables in accordance with IFRS 9 in order to recognise expected losses. The basis for the assessment of impairments are general-approach default rates based on maturities in conjunction with experience regarding defaults in the past as well as changes in the payment behaviour of customers.

- **Provisions**
  Provisions for warranties are set up if the occurrence of a liability is probable. The assessment of the degree of probability and the extent is based on empirical values, external experts, and current information available. In case of warranty provisions these parameters are based on empirical values for complaints and claims and the latest information available. Furthermore, uncertainties arise with regard to pending court cases regarding compensatory damages in terms of compensation payments and the duration of the proceedings.

At the time of preparing the consolidated financial statements the assumptions and estimates did not include any significant risks that would have required significant adjustments of the assets and liabilities recognised in the consolidated balance sheet in the following financial year.

Group segment reporting as at 31 December 2022

Information on geographic segments by sales markets	Western Europe		Northern/Eastern Europe	
in EUR K	**2022**	**2021**	**2022**	**2021**
External revenues	1,405,267	1,246,458	177,833	155,891
Inter-segment revenues	56,525	45,748	2,634	2,082
Segment turnover	**1,461,792**	**1,292,206**	**180,467**	**157,973**
EBITDA	163,221	156,658	20,937	22,220
Depreciation/amortisation	49,346	53,939	7,919	7,761
EBIT	**113,875**	**102,719**	**13,018**	**14,459**
Interest income	1,950	1,059	392	89
Interest expenses	3,939	2,739	557	222
EBT	**111,886**	**101,039**	**12,853**	**14,326**
Segment assets	**833,994**	**807,462**	**110,090**	**114,601**
Investments	**39,676**	**35,081**	**1,851**	**2,481**
Employees as at the reference date	**4,394**	**4,360**	**617**	**623**

Segment reporting is explained in Note (33).

America/Asia/Pacific		Reconciliation/consolidation booking entries		Group	
2022	**2021**	**2022**	**2021**	**2022**	**2021**
204,286	188,180	0	0	1,787,386	1,590,529
1	51	−59,160	−47,882	0	0
204,287	**188,232**	**−59,160**	**−47,882**	**1,787,386**	**1,590,529**
10,559	14,514	−208	−857	194,509	192,535
7,564	6,366	0	0	64,829	68,067
2,995	**8,148**	**−208**	**−857**	**129,680**	**124,468**
747	316	−1,453	−815	1,636	648
372	274	−1,453	−815	3,414	2,420
3,370	**8,189**	**190**	**4,382**	**128,299**	**127,936**
130,260	**129,033**	**23,362**	**33,610**	**1,097,706**	**1,084,706**
5,892	**4,370**	**0**	**0**	**47,419**	**41,930**
724	**714**	**0**	**0**	**5,735**	**5,697**

Notes on the statement of profit or loss

(1) Revenue

For the purposes of segment reporting, revenues are broken down by geographic sales markets. The Group's sales revenues by product group are as follows:

in EUR K	2022	2021
Facade systems	856,212	739,966
Facade coatings	402,040	354,606
Interior	258,940	247,938
Other product groups	270,194	248,019
Total revenues	**1,787,386**	**1,590,529**

(2) Other internally generated assets capitalised

As in the previous year, other capitalised, internally generated assets mainly comprise the internally generated asset for constructed Technical equipment and machinery as well as Buildings.

(3) Other operating income

in EUR K	2022	2021
Income from the reversal of provisions and accrued liabilities	9,883	7,094
Income from changes in exchange rates	8,790	6,966
Proceeds from derecognised receivables	384	466
Income from the disposal of assets	1,925	1,041
Income from recharged expenses to third parties	33	4
Funding from the public sector	395	2,960
Miscellaneous operating income	7,482	7,030
Total other operating income	**28,892**	**25,561**

Funding from the public sector essentially consists of research grants. To some extent, this funding is subject to certain conditions. We assume that we will meet the conditions imposed.

(4) Cost of material

in EUR K	2022	2021
Raw materials, processing aids, and operating materials	434,702	379,675
Goods purchased	439,688	369,670
Total expenses for raw materials, processing aids, operating materials, and goods purchased	**874,390**	**749,345**
Temporary staff	6,059	6,113
Commission production	4,351	5,057
Total expenses for services purchased	**10,410**	**11,170**
Total expenses for materials	**884,800**	**760,515**

(5) Personnel expenses

in EUR K	2022	2021
Wages and salaries	350,588	330,195
Social security contributions	46,927	44,602
Expenses for retirement benefits, and other employee benefit costs	30,729	30,175
Total personnel expenses	**428,244**	**404,972**

Expenses for retirement benefits and support primarily comprise contributions to the statutory pension funds and additions to pension provisions, as stated in Note (24).

Annual average headcount

Number	2022	2021
Employees	5,541	5,478
Trainees	245	242
Total no. of employees	**5,786**	**5,720**

(6) Other operating expenses

in EUR K	2022	2021
Selling and marketing costs	150,848	131,412
Administration costs	61,484	55,898
Rental and lease payments including overheads	20,341	14,479
Operating costs	38,958	36,743
Losses from the derecognition of financial assets	2,555	1,758
Other staff costs	9,251	7,520
Expenses due to changes in exchange rates	10,152	8,041
Losses from the disposal of fixed assets	367	289
Miscellaneous expenses	16,231	13,397
Other operating expenses in total	**310,187**	**269,537**

The item Selling and marketing costs mainly includes outbound freight, advertising and travel expenses as well as warranty services.

Expenses due to changes in exchange rates primarily comprise exchange rate losses arising between the date of the transaction and date of payment as well as currency translation losses using closing rates.

(7) Impairment (net) of financial assets

in EUR K	2022	2021
Expenses for impairments of financial assets	−8,134	−8,280
Income from the reversal of impairments for financial assets	3,828	5,383
Total impairment (net) of financial assets	**−4,306**	**−2,897**

Please refer to Note (31) and Note (34) for more information on risks relating to financial assets.

(8) Depreciation/amortisation

This item includes depreciation and amortisation as well as impairments on non-financial assets. Accordingly, EBITDA is calculated before net interest income, depreciation/amortisation, and impairment on non-financial assets.

The depreciation/amortisation and impairment of Intangible assets, Property, plant, and equipment, and Rights of use are analysed in the respective parts of these Notes.

In the year under review, the impairment test revealed an impairment of the goodwill of VIACOR Polymer GmbH of EUR 1,445 K, of the goodwill of Liaver GmbH & Co. KG of EUR 1,437 K and of the goodwill of the CGU Sto China of EUR 675 K. In the previous year, the impairment test revealed an impairment of the goodwill of JONAS Farben GmbH of EUR 10,009 K.

In the year under review, due to the conducted impairment test, further impairments of Intangible assets were made at VIACOR Polymer GmbH in the amount of EUR 447 K. These were entirely attributable to the customer base.

Please refer to section 6. 'Presentation of the major accounting and valuation policies' within the chapter 'General information' for material assumptions in the context of the impairment test.

(9) Earnings from financial assets accounted for using the equity method

Earnings from financial assets accounted for using the equity method amounts to EUR 397 K (previous year: EUR 1,779 K) in the year under review. In the previous year, earnings from financial assets accounted for using the equity method included an appreciation in value of the stake in Inotec GmbH in the amount of EUR 1,142 K.

(10) Net interest income as well as Miscellaneous financial income

in EUR K	2022	2021
Other interest and similar income	1,636	648
Interest and similar expenses	−1,009	−1,018
Interest expense on pension obligations	−1,299	−680
Compounding interest of non-current other provisions and liabilities	−118	−107
Interest expense for leases	−988	−615
Total net interest income	**−1,778**	**−1,772**

In the previous year, net financial income/expense also included Miscellaneous financial income in connection with the step acquisition of JONAS in the amount of EUR 3,461 K.

(11) Taxes on income and earnings

Composition of tax expense

in EUR K	2022	2021
Actual tax expense in Germany	26,126	22,476
Actual tax expense outside of Germany	13,999	12,272
Actual tax expense	**40,125**	**34,748**
of which off-period tax expense	10	−45
Expense/income from reversal of tax liabilities (off-period)	−179	−566
Actual taxes on income and earnings	**39,946**	**34,182**
Deferred tax income/expense in Germany	−1,791	−819
Deferred tax income/expense outside of Germany	1,064	−86
Deferred tax income/expense	**−727**	**−905**
Income tax expense reported	**39,219**	**33,277**

In the 2022 assessment period, the statutory corporate tax in Germany was levied at a rate of 15.0 %, which is the same as in the previous year. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.1 % (previous year: 29.1 %).

The local income tax rates for companies outside of Germany ranged between 5.0 % and 35.0 % (previous year: 0.0 % to 34.0 %). Deferred taxes were measured using the tax rates valid or enacted as of the balance sheet date.

Tax loss carryforwards were valued at EUR 41,817 K (previous year: EUR 38,783 K). Tax loss carryforwards of EUR 21,174 K (previous year: EUR 19,863 K) are available for an indefinite period, while EUR 5,584 K (previous year: EUR 5,980 K) may only be utilised within five years, as well as EUR 2,417 K (previous year: EUR 2,574 K) only within ten years, and EUR 12,642 K (previous year: EUR 10,366 K) only within 20 years.

Of the tax loss carryforwards, a sum of EUR 29,906 K (previous year: EUR 24,658 K) is assumed to not be available for the time being. Of these, EUR 11,470 K (previous year: EUR 7,789 K) are available for an indefinite period, while EUR 3,813 K (previous year: EUR 4,387 K) may only be utilised within five years, as well as EUR 1,981 K (previous year: EUR 2,116 K) only within ten years, and EUR 12,642 K (previous year: EUR 10,366 K) only within 20 years.

Of the tax loss carryforwards rated available, EUR 7,857 K (previous year: EUR 358 K) were attributable to companies whose earnings for the year of 2022 was negative. As the affected companies are mainly those companies with a profit history and as the earnings plans of the affected companies for the following years are positive, the tax loss carryforwards in the corresponding amount were classified as available.

Of deferred tax income, EUR 843 K (previous year: EUR 1,623 K) were from temporary differences.

No deferred taxes were recognised for temporary differences of EUR 9,007 K on the profits retained by subsidiaries (previous year: EUR 8,220 K) as, historically, these profits have always been used to extend business activities at the individual locations and will continue to be used for this purpose in the future.

Deferred tax assets related to temporary differences were impaired in the amount of EUR 755 K (previous year: EUR 140 K).

The following deferred tax assets and liabilities are recognised to allow for recognition and valuation differences in the individual items of the balance sheet and the tax loss carryforwards:

Balance sheet item

in EUR K	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2022	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Intangible assets	2,248	2,163	1,181	1,966
Property, plant, and equipment	1,385	1,090	4,577	4,773
Rights of use	614	596	17,942	19,509
Non-current other financial assets	47	16	0	94
Non-current other assets	0	0	377	429
Inventories	2,329	2,299	275	224
Current trade receivables	2,117	2,179	694	649
Current other financial assets	148	37	461	484
Current other assets	379	439	353	151
Cash and cash equivalents	45	4,637	11	0
Special tax items	33	0	13	14
Provisions for pensions and other liabilities	10,549	22,343	418	18
Non-current other provisions	194	295	69	67
Non-current borrowings	0	0	187	179
Non-current lease liabilities	13,432	14,910	0	0
Current other provisions	1,581	1,840	454	424
Current borrowings	244	238	0	4,598
Current lease liabilities	4,306	4,470	0	0
Trade payables	0	179	33	3
Current other liabilities	2,040	1,925	6	0
Loss carryforwards	2,941	3,137	0	0
Gross amount	**44,632**	**62,793**	**27,051**	**33,582**
Balancing	25,958	32,596	25,958	32,596
Balance sheet recognition	**18,674**	**30,197**	**1,093**	**986**

Deferred tax assets and deferred tax liabilities are netted if the Group has a legally enforceable right to set off the actual tax reimbursement claims against the actual tax liabilities, and the deferred tax assets and the deferred tax liabilities related to income taxes levied by one and the same taxation authority from the same taxpayer.

Change in deferred taxes

in EUR K	Consideration in		Total
	Statement of profit or loss	**Equity**	
Deferred taxes as at 1 January 2021	**14,871**	**17,280**	**32,151**
Intangible assets	1,949	0	1,949
Property, plant, and equipment	−911	0	−911
Rights of use	−5,167	0	−5,167
Financial assets accounted for using the equity method	−83	0	−83
Non-current other financial assets	0	0	0
Non-current other assets	42	0	42
Inventories	123	0	123
Current trade receivables	297	0	297
Current other financial assets	−461	33	−428
Current other assets	−73	0	−73
Cash and cash equivalents	3	0	3
Special tax items	0	0	0
Provisions for pensions and similar liabilities	340	−2,985	−2,645
Non-current other provisions	−86	0	−86
Non-current borrowings	−7	0	−7
Non-current lease liabilities	4,916	0	4,916
Current other provisions	23	0	23
Current borrowings	−231	0	−231
Current lease liabilities	443	0	443
Current trade payables	151	0	151
Current other liabilities	329	0	329
Loss carryforwards	−718	0	−718
Effects from first-time consolidation and deconsolidation	0	−993	−993
Currency translation effects	60	66	126
Deferred taxes as at 31 December 2021	**15,810**	**13,401**	**29,211**

Change in deferred taxes

in EUR K	Consideration in		**Total**
	Statement of profit or loss	**Equity**	
Deferred taxes as at 1 January 2022	**15,810**	**13,401**	**29,211**
Intangible assets	855	0	855
Property, plant, and equipment	563	–23	540
Rights of use	1,539	–42	1,497
Financial assets accounted for using the equity method	0	0	0
Non-current other financial assets	126	0	126
Non-current other assets	52	0	52
Inventories	–30	–20	–50
Current trade receivables	–82	0	–82
Current other financial assets	–3	134	131
Current other assets	–249	0	–249
Cash and cash equivalents	–4,737	0	–4,737
Special tax items	35	0	35
Provisions for pensions and similar liabilities	62	–12,288	–12,226
Non-current other provisions	–101	0	–101
Non-current borrowings	–8	0	–8
Non-current lease liabilities	–1,357	0	–1,357
Current other provisions	–238	0	–238
Current borrowings	4,614	0	4,614
Current lease liabilities	–84	0	–84
Current trade payables	–215	0	–215
Current other liabilities	103	0	103
Loss carryforwards	–117	0	–117
Effects from first-time consolidation and deconsolidation	0	0	0
Currency translation effects	–123	6	–117
Deferred taxes as at 31 December 2022	**16,415**	**1,168**	**17,583**

Reconciliation of expected and reported income tax expense

in EUR K	**2022**	**2021**
Earnings before income taxes	128,299	127,936
Expected income tax expense (tax rate: 29.1 %; previous year: 29.1 %)	**37,322**	**37,217**
Reconciliation:		
Tax-free income and permanent differences	3,968	431
Changes in tax rate	6	–9
Deviations of local tax rates from Group tax rate	–2,638	–3,601
Deferred tax income on tax loss carryforwards capitalised for the first time	–118	–350
Tax reduction for tax loss carryforwards not yet capitalised	–88	–283
Effects of non-recognition of tax loss carryforwards	922	488
Off-period taxes	–171	–611
Other effects	16	–5
Income tax expense reported	**39,219**	**33,277**
Effective tax rate (%)	30.6	26.0

(12) Further information

Earnings per share

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

In addition to shares outstanding, diluted earnings per share also include potential shares (e.g. from options). Both at 31 December 2022 and 31 December 2021, there were no potential shares. Hence, undiluted earnings per share correspond to diluted earnings per share.

Limited ordinary shares

Number	2022	2021
Weighted average number of shares outstanding – basic/diluted	**3,888,000**	3,888,000

Limited preference shares

Number	2022	2021
Weighted average number of shares outstanding – basic/diluted	**2,538,000**	2,538,000

in EUR K	2022	2021
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA	90,091	92,718
Basic/diluted earnings – of which		
Limited ordinary shares	54,417	56,006
Limited preference shares	35,674	36,712

in EUR	2022	2021
Earnings per share – basic/diluted		
Limited ordinary shares	14.00	14.40
Limited preference shares	14.06	14.46

In the financial year of 2022, the following dividend was paid out from the earnings of 2021: EUR 4.94 (previous year: EUR 4.94) per ordinary share, consisting of an ordinary dividend of EUR 0.25 (previous year: EUR 0.25) and a bonus of EUR 4.69 (previous year: EUR 4.69), as well as EUR 5.00 (previous year: EUR 5.00) per preference share, consisting of an ordinary dividend of EUR 0.31 (previous year: EUR 0.31) and a bonus of EUR 4.69 (previous year: EUR 4.69).

In the 2022 financial year, a total of EUR 19,207 K was paid out to ordinary shareholders (previous year: EUR 19,207 K) and an amount of EUR 12,690 K was paid out to preference shareholders (previous year: EUR 12,690 K). The total payout amount was EUR 31,897 K (previous year: EUR 31,897 K).

Further notes on the statement of profit or loss regarding financial instruments in accordance IFRS 7

The Sto Group categorises financial instruments as follows:

- Financial instruments at fair value through profit or loss
- Financial assets at amortised costs of acquisition
- Financial instruments with a value recognition in accordance with IFRS 16
- financial instruments outside the scope of application of IFRS 7 (equity investments)

Net earnings from financial instruments categorised in accordance with IFRS 9

in EUR K	2022	2021
Assets		
Financial assets at fair value through profit or loss (FVTPL)	644	–226
Financial assets measured at fair value with no impact on profit or loss (FVOCI)	57	–64
Financial assets at amortised cost (FAAC)	–6,436	–3,793
Equity and liabilities		
Financial liabilities at amortised cost (FLAC)	–313	–200
Financial liabilities at fair value through profit or loss (FLTPL)	–1,759	–1,036

Net income from financial assets and liabilities recognised at fair value through profit or loss include changes in market value as well as exchange-rate-related income and expenses from these financial instruments. Interest expenses and interest income are not part of net earnings.

Total interest income and expense from financial instruments not recognised at fair value through profit or loss

in EUR K	2022	2021
Interest income	1,499	585
Interest expenses	1,724	1,363
Net interest income	**–225**	**–778**

Please refer to Note (31) and Note (34) for more information on financial instruments.

Notes on the consolidated statement of financial position

(13) Intangible assets

Changes in Intangible assets from 1 January until 31 December 2021

in EUR K	Industrial property rights and licences including software	Goodwill	Payments made on account	Total
Costs of acquisition/production				
1 January 2021	**49,173**	**54,086**	**2,430**	**105,689**
Additions	942	0	950	1,892
Changes to the companies consolidated	5,045	11,706	0	16,751
Disposals	795	0	0	795
Transfers	1,992	0	–1,992	0
Exchange rate differences	238	548	3	789
31 December 2021	**56,595**	**66,340**	**1,391**	**124,326**
Cumulative depreciation/amortisation and impairment losses				
1 January 2021	**36,751**	**13,190**	**0**	**49,941**
Depreciation/amortisation for the year	2,727	0	0	2,727
Impairment losses	261	10,009	0	10,270
Disposals	795	0	0	795
Transfers	0	0	0	0
Appreciations	0	0	0	0
Exchange rate differences	104	463	0	567
31 December 2021	**39,048**	**23,662**	**0**	**62,710**
Net carrying amount as at 31 December 2020	**12,422**	**40,896**	**2,430**	**55,748**
Net carrying amount as at 31 December 2021	**17,547**	**42,678**	**1,391**	**61,616**

Changes in Intangible assets from 1 January until 31 December 2022

in EUR K	Industrial property rights and licences including software	Goodwill	Payments made on account	Total
Costs of acquisition/production				
1 January 2022	**56,595**	**66,340**	**1,391**	**124,326**
Additions	284	0	1,533	1,817
Changes to the companies consolidated	0	0	0	0
Disposals	3,478	9,704	0	13,182
Transfers	16	0	0	16
Exchange rate differences	138	253	−11	380
31 December 2022	**53,555**	**56,889**	**2,913**	**113,357**
Cumulative depreciation/amortisation and impairment losses				
1 January 2022	**39,048**	**23,662**	**0**	**62,710**
Depreciation/amortisation for the year	2,680	0	0	2,680
Impairment losses	447	3,557	0	4,004
Disposals	3,466	9,704	0	13,170
Transfers	0	0	0	0
Appreciations	0	0	0	0
Exchange rate differences	161	297	0	458
31 December 2022	**38,870**	**17,812**	**0**	**56,682**
Net carrying amount as at 31 December 2021	**17,547**	**42,678**	**1,391**	**61,616**
Net carrying amount as at 31 December 2022	**14,685**	**39,077**	**2,913**	**56,675**

Goodwill

Goodwill reported, amounting to EUR 39,077 K (previous year: EUR 42,678 K), breaks down as follows:

Cash Generating Units

in EUR K	31 Dec 2022	31 Dec 2021
Sto SE & Co. KGaA	15,760	15,760
Beissier S.A.S., La Chapelle la Reine/France	3,635	3,635
Unitex Australia Pty Ltd, Dandenong South/Australia	3,332	3,348
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany	2,780	2,780
Beissier S.A.U., Errenteria/Spain	2,679	2,679
Sto Sp. z o.o., Warsaw/Poland	2,402	2,402
Sto Épitöanyag Kft., Dunaharaszti/Hungary	1,764	1,764
JONAS Farben GmbH, Wülfrath/Germany	1,697	1,697
Sto Isoned B.V., Tiel/Netherlands	1,189	1,189
Sto Norge AS, Langhus/Norway	972	1,000
VIACOR Polymer GmbH, Rottenburg am Neckar/Germany	0	1,445
Liaver GmbH & Co. KG, Ilmenau/Germany	0	1,437
Miscellaneous under EUR 1,000 K	2,867	3,542
Total goodwill	**39,077**	**42,678**

(14) Property, plant, and equipment

Changes in Property, plant, and equipment from 1 January to 31 December 2021

in EUR K	Land, land rights and buildings including plant buildings on land owned by others	Technical equipment and machinery	Other plant, operating and business equipment	Equipment under construction	Total
Costs of acquisition/production					
1 January 2021	**369,837**	**228,902**	**211,693**	**23,477**	**833,909**
Additions	8,234	6,993	13,251	11,563	40,041
Changes to the companies consolidated	9,951	5,237	866	189	16,243
Disposals	7,079	1,607	10,375	8	19,069
Transfers	9,818	11,538	1,297	–22,653	0
Exchange rate differences	2,368	3,104	1,309	114	6,895
31 December 2021	**393,129**	**254,167**	**218,041**	**12,682**	**878,019**
Cumulative depreciation/amortisation and impairment losses					
1 January 2021	**214,130**	**180,951**	**169,409**	**296**	**564,786**
Depreciation/amortisation for the year	9,600	11,289	13,005	0	33,894
Impairment losses	0	0	0	0	0
Disposals	1,676	1,514	9,766	0	12,956
Transfers	91	–2	–89	0	0
Appreciations	–542	0	0	0	–542
Exchange rate differences	1,816	2,621	988	15	5,440
31 December 2021	**223,419**	**193,345**	**173,547**	**311**	**590,622**
Net carrying amount as at 31 December 2020	**155,707**	**47,951**	**42,284**	**23,181**	**269,123**
Net carrying amount as at 31 December 2021	**169,710**	**60,822**	**44,494**	**12,371**	**287,397**

Changes in Property, plant and, equipment from 1 January to 31 December 2022

in EUR K	Land, land rights and buildings including plant buildings on land owned by others	Technical equipment and machinery	Other plant, operating and business equipment	Equipment under construction	Total
Costs of acquisition/production					
1 January 2022	**393,129**	**254,167**	**218,041**	**12,682**	**878,019**
Additions	6,048	5,882	12,661	21,011	45,602
Changes to the companies consolidated	0	0	0	0	0
Disposals	4,261	2,499	10,061	158	16,979
Transfers	971	1,947	880	−3,814	−16
Exchange rate differences	945	660	373	11	1,989
31 December 2022	**396,832**	**260,157**	**221,894**	**29,732**	**908,615**
Cumulative depreciation/amortisation and impairment losses					
1 January 2022	**223,419**	**193,345**	**173,547**	**311**	**590,622**
Depreciation/amortisation for the year	10,268	11,325	13,693	0	35,286
Impairment losses	0	0	0	0	0
Disposals	2,390	2,319	9,741	0	14,450
Transfers	0	0	0	0	0
Appreciations	0	0	0	0	0
Exchange rate differences	505	347	250	9	1,111
31 December 2022	**231,802**	**202,698**	**177,749**	**320**	**612,569**
Net carrying amount as at 31 December 2021	**169,710**	**60,822**	**44,494**	**12,371**	**287,397**
Net carrying amount as at 31 December 2022	**165,030**	**57,459**	**44,145**	**29,412**	**296,046**

Property, plant, and equipment in the amount of EUR 29,438 K (previous year: EUR 29,282 K) are encumbered with land charges which serve to secure liabilities to banks. The value amounted to EUR 909 K (previous year: EUR 1,302 K).

(15) Rights of use

Development of Rights of use from 1 January to 31 December 2021

in EUR K	Industrial property rights and licences including software	Land, land rights and buildings including plant buildings on land owned by others	Technical equipment and machinery	Other plant, operating and business equipment	Total
Costs of acquisition/production					
1 January 2021	**466**	**75,843**	**1,174**	**22,039**	**99,522**
Additions	0	36,126	22	7,451	43,599
Changes to the companies consolidated	0	0	0	0	0
Disposals	40	1,890	134	3,803	5,867
Transfers	0	11	0	–11	0
Exchange rate differences	1	1,207	0	78	1,286
31 December 2021	**427**	**111,297**	**1,062**	**25,754**	**138,540**
Cumulative depreciation/amortisation and impairment losses					
1 January 2021	**178**	**24,907**	**576**	**10,271**	**35,932**
Depreciation/amortisation for the year	96	14,191	237	6,652	21,176
Impairment losses	0	0	0	0	0
Disposals	23	1,311	133	3,537	5,004
Transfers	0	0	0	0	0
Appreciations	0	0	0	0	0
Exchange rate differences	0	446	0	46	492
31 December 2021	**251**	**38,233**	**680**	**13,432**	**52,596**
Net carrying amount as at 31 December 2020	**288**	**50,936**	**598**	**11,768**	**63,590**
Net carrying amount as at 31 December 2021	**176**	**73,064**	**382**	**12,322**	**85,944**

Development of Rights of use from 1 January to 31 December 2022

in EUR K	Industrial property rights and licences including software	Land, land rights and buildings including plant buildings on land owned by others	Technical equipment and machinery	Other plant, operating and business equipment	Total
Costs of acquisition/production					
1 January 2022	**427**	**111,297**	**1,062**	**25,754**	**138,540**
Additions	0	11,427	77	7,320	18,824
Disposals	0	3,755	186	3,377	7,318
Transfers	0	0	0	0	0
Exchange rate differences	0	−594	−3	−188	−785
31 December 2022	**427**	**118,375**	**950**	**29,509**	**149,261**
Cumulative depreciation/amortisation and impairment losses					
1 January 2022	**251**	**38,233**	**680**	**13,432**	**52,596**
Depreciation/amortisation for the year	88	15,838	182	6,751	22,859
Impairment losses	0	0	0	0	0
Changes to the companies consolidated	0	0	0	0	0
Disposals	0	1,591	186	3,007	4,784
Transfers	0	0	0	0	0
Appreciations	0	0	0	0	0
Exchange rate differences	0	−113	0	−106	−219
31 December 2022	**339**	**52,367**	**676**	**17,070**	**70,452**
Net carrying amount as at 31 December 2021	**176**	**73,064**	**382**	**12,322**	**85,944**
Net carrying amount as at 31 December 2022	**88**	**66,008**	**274**	**12,439**	**78,809**

The Group primarily leases properties and vehicles. In terms of properties, the Group mainly rents SalesCentres and office buildings.

Information on the corresponding lease liabilities and further explanations can be found in Note (10) and Note (27).

(16) Financial assets accounted for using the equity method

As at 31 December 2022, the carrying amount of shares accounted for using the equity method stands at EUR 2,227 K (previous year: in EUR 1,830 K).

The investment accounted for using the equity method generated a positive result of EUR 397 K. In the previous year, the investments accounted for using the equity method generated a positive result of EUR 1,779 K. This included an appreciation in value of EUR 1,142 K.

The approval of all shareholders is required for the payout of dividends or the repayment of loans.

The Group had no contingent liabilities or contingent receivables as at the balance sheet date.

(17) Inventories

Inventories are measured at the lower of acquisition/production cost and the net realisable amount. The impairment included therein amounted to EUR 14,782 K (previous year: EUR 12,069 K). The impairments are mainly based on overstocking.

in EUR K	31 Dec 2022	31 Dec 2021
Raw materials, processing aids, and operating materials	44,725	46,364
Work in progress	8,970	8,237
Finished products and goods	122,613	102,968
Payments made on account	2,892	1,062
Total inventories	**179,200**	**158,631**

No inventories serve as collateral for liabilities to banks (previous year: EUR 2,698 K). In the previous year, the value amounted to EUR 7 K.

(18) Non-current and current trade receivables

The fair values of trade receivables equal their carrying amounts. Impairments of EUR 26,557 K (previous year: EUR 25,203 K) were taken into account. Trade receivables with a carrying amount of EUR 1,688 K (previous year: EUR 1,702 K) serve to secure liabilities to banks. The value amounted to EUR 28 K (previous year: EUR 1 K).

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**	current	non-current	**Carrying amount as at 31 Dec 2021**
from						
Third parties	171,403	1,056	172,459	145,759	1,823	147,582
Companies accounted for using the equity method	1	0	1	1	0	1
Total trade receivables	**171,404**	**1,056**	**172,460**	**145,760**	**1,823**	**147,583**

Please refer to Note (31) and Note (34) for more information on risks relating to financial assets.

(19) Non-current and current other financial assets

Other financial assets due from third parties included financial investments due for settlement in more than three months as well as impairments of EUR 160 K (previous year: EUR 110 K). Receivables from suppliers also included in the financial assets amounted to EUR 5,708 K (previous year: EUR 5,509 K). As in the previous year, the positive fair value of derivative financial instruments resulted from currency hedging transactions that are explained in more detail under Note (34).

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**	current	non-current	**Carrying amount as at 31 Dec 2021**
Other financial assets from third parties	101,896	39,866	141,762	93,407	48,358	141,765
Other receivables and other financial assets from companies accounted for using the equity method	253	0	253	256	0	256
Positive fair value of derivative financial instruments	250	0	250	425	0	425
Total other financial assets	**102,399**	**39,866**	**142,265**	**94,088**	**48,358**	**142,446**

Please refer to Note (31) and Note (34) for more information on risks relating to financial assets.

(20) Non-current and current other assets

Other receivables due from third parties include current insurance refund claims from sales risks of EUR 4,232 K (previous year: EUR 9,198 K).

Other tax reimbursement claims include VAT reimbursement claims of EUR 3,961 K (previous year: EUR 4,126 K).

No impairments were made to other assets in the reporting period and in the previous year.

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**	current	non-current	**Carrying amount as at 31 Dec 2021**
Other receivables from third parties	7,337	0	7,337	11,716	4	11,720
Other tax reimbursement claims	4,222	0	4,222	4,784	0	4,784
Prepaid expenses	13,474	1,469	14,943	10,055	1,604	11,659
Other payments made on account	737	0	737	351	0	351
Total other assets	**25,770**	**1,469**	**27,239**	**26,906**	**1,608**	**28,514**

(21) Cash and cash equivalents

in EUR K	**31 Dec 2022**	**31 Dec 2021**
Credit balances with banks	118,975	136,514
Cheques, cash in hand	448	621
Total cash and cash equivalents	**119,423**	**137,135**

Cash and cash equivalents include impairments due to IFRS 9 of EUR 251 K (previous year: EUR 192 K).

Please refer to Note (31) for more information on risks relating to cash and cash equivalents.

(22) Equity

Changes in equity and minority interests are analysed in the statement of changes in equity.

Subscribed capital
As at 31 December 2022, the share capital of Sto SE & Co. KGaA amounted to EUR 17,556 K. It was divided into 4,320,000 registered limited ordinary shares and 2,538,000 limited preference shares with no voting rights with a notional nominal value of EUR 2.56 per share. The figures for the 2022 financial year correspond to the previous year.

The limited preference shares include a guaranteed minimum dividend of EUR 0.13 and bore a dividend that was EUR 0.06 higher than that of the limited ordinary shares. If the net income of one or more financial years is not sufficient for an advance dividend payout of at least EUR 0.13, the missing amounts will be paid in arrears without interest from the net income of the following financial years before payout of a dividend.

The limited preference shares of Sto SE & Co. KGaA are listed on the stock exchanges in Frankfurt/Main and Stuttgart/Germany in the 'Regulated market' segment. The limited ordinary shares are not listed on the stock market.

Stotmeister Beteiligungs GmbH, Stühlingen/Germany, holds all but four of the limited ordinary shares of Sto SE & Co. KGaA not in the ownership of Sto SE & Co. KGaA as well as 100 % of the shares of STO Management SE, Stühlingen/Germany. The personally liable partner, STO Management SE, Stühlingen/Germany, does not have a share in the capital of Sto SE & Co. KGaA.

Capital reserves
Capital reserves essentially comprise additions from premiums.

Revenue reserves and other reserves
Revenue reserves and other reserves comprise the following items:

- Reserves for accrued profits:
  Reserves for accrued profits include the profits earned by Sto SE & Co. KGaA and its subsidiaries that were not distributed.

- Currency translation reserve:
  The currency translation reserve is used to record any differences arising from the translation of the financial statements of subsidiaries in a foreign currency.

- Reserve for pensions:
  The reserve for pensions contains actuarial gains or actuarial losses from the pension provisions arising from differences between the actual development and the assumed trends as well as changes in the assumptions underlying calculations.

- Reserve for FVOCI valuation:
  The reserve for the FVOCI valuation includes the changes in the valuation of financial instruments at fair value with no effect on profit or loss.

- Treasury stock:
  As at 31 December 2022, Sto SE & Co. KGaA, Stühlingen/Germany, holds treasury stock in the form of 432,000 registered limited ordinary shares with a notional value of EUR 1,106 K. This is equivalent to 10 % of all ordinary shares, or 6.3 % of the share capital of Sto SE & Co. KGaA. Treasury stock is not entitled to dividends. The figures for the 2022 financial year correspond to the previous year.

Proposed dividend

In accordance with Sections 278, 58 (4) of the German Stock Corporation Act (Aktiengesetz, AktG), Sto SE & Co. KGaA's dividend payout is based on the unappropriated surplus recorded in the financial statements of Sto SE & Co. KGaA prepared in accordance with German commercial law. Net income amounts to EUR 62,259 K (previous year: EUR 47,130 K).

The personally liable partner of Sto SE & Co. KGaA, STO Management SE, Stühlingen/Germany, proposes via its Executive Board at the Annual General Meeting of Sto SE & Co. KGaA a dividend payout per limited ordinary share of EUR 0.25 (previous year: EUR 0.25) plus a bonus of EUR 4.69 (previous year: EUR 4.69) to form a total of EUR 4.94 (previous year: EUR 4.94), and EUR 0.31 (previous year: EUR 0.31) plus a bonus of EUR 4.69 (previous year: EUR 4.69) to form a total of EUR 5.00 (previous year: EUR 5.00) per limited preference share, and hence a total payout amount of EUR 31,897 K (previous year: EUR 31,897 K).

A proposal is also made to retain EUR 30,000 K (previous year: EUR 15,000 K) as revenue reserves and to carry the remaining amount of EUR 362 K (previous year: EUR 233 K) forward to a new account.

Notes on equity management

The purpose of capital management is to ensure that the Group effectively achieves its goals and pursues its strategies in the interests of the shareholders, employees, and other stakeholders and that it successfully implements the defined strategies. In particular, management focuses on achieving the minimum return on invested assets sought by the capital market as well as on maintaining a solid return on equity. In selecting financial instruments, the Group attaches importance to matching-maturities finance.

in EUR K	31 Dec 2022	31 Dec 2021	Change in %
Equity attributable to the shareholders of Sto SE & Co. KGaA	**683,964**	**605,347**	**13.0%**
Current borrowings	4,058	8,240	−50.8%
Non-current borrowings	932	1,915	−51.3%
Less cash and cash equivalents	119,423	137,135	−12.9%
Net assets	**114,433**	**126,980**	**–9.9%**
% of equity	16.7%	21.0%	
Equity ratio	62.4%	56.2%	
Return on Capital Employed (ROCE)*	**17.3%**	**18.9%**	

* ROCE = EBIT divided by average capital employed.
Capital employed = balance sheet values are determined on the basis of an arithmetic average of the respective reference date values at month end for the respective period.
Capital employed = Intangible assets + Property, plant, and equipment + Rights of use + Inventories + Trade receivables ./. Trade payables

In the financial year of 2022, the equity attributable to the shareholders of Sto SE & Co. KGaA rose by 13.0 % as compared to the previous year. This was essentially the result of the increase in revenue reserves and other reserves.

As in the previous year, no net debt has been incurred in the current financial year.

Due to the credit line agreed with a banking consortium in December 2012, the Group is subject to complying with financial covenants. In case of non-compliance the lenders are entitled to terminate the loan for good cause. The syndicated loan agreement with a volume of EUR 100.0 million, which expired in summer 2022, was renewed in April 2022 for the same amount and with a term until April 2027, including two renewal options of one year each. The agreed-upon financial covenants were complied with in the year under review as well as in the previous year.

(23) Share of minority interests

The shares of equity on the part of minority interests were attributable to shareholders of UAB TECH-COAT, Klaipéda/Lithuania as well as VIACOR Polymer GmbH, Rottenburg am Neckar/Germany. In the previous year, there were additional shares of minority interests in Sto Italia Srl, Empoli/Italy. All non-controlling interests are insignificant for the Group.

(24) Pensions and similar liabilities

Provisions for pension obligations are recognised in accordance with entitlement arising under the corporate pension scheme. The provided benefits vary according to the legal, tax and economic situation in the individual country and are based on the length of service and the salary of the entitled employees.

The corporate pension scheme primarily comprises defined benefit plans which reflect discounted future payments and for which the pension provisions are calculated using the projected unit credit method in accordance with IAS 19. For defined benefit obligation plans, future obligations are measured on the basis of the benefit entitlements acquired as at the balance sheet date. In making this assessment, assumed relevant trends are taken into account, and actuarial calculations are applied.

Actuarial gains or losses arise from deviations in the actual development (e.g. income and pension increases, changes in interest rates) from the assumptions, and from changes in the assumptions. All actuarial gains and losses are recognised in equity with no impact on profit or loss. Actuarial gains and losses reported within equity are presented in the table on pension provisions. The sensitivity analysis shows the impact of deviations in the assumptions.

Benefit obligations assumed by the German companies primarily existed for old-age, invalidity, widow's and orphan's pensions. A prerequisite for receiving benefits was that upon occurrence of the event the employee either had had a minimum period of service of 10 years after the age of 25, or had been in an employment relationship with Sto or had had a non-lapsable entitlement. Old-age pension is granted when the statutory pension is drawn. The monthly old-age or invalidity pension amounts to between EUR 5.11 and EUR 9.20 per year of service and depending on the employee's status. The widow's pension amounts to 60 % of the old-age and invalidity pension.

The present value of the defined benefit obligations of EUR 121,891 K (previous year: EUR 167,998 K) were netted against the fair value of the plan asset of EUR 39,807 K (previous year: EUR 45,794 K). Pension provisions amounted to EUR 82,084 K (previous year: EUR 122,204 K).

In addition, the Group had defined contribution plans, whose current contribution payments (excluding contributions to the statutory pension funds) were reported as pension expenses. For these plans, the Company paid contributions into public or private pension funds in accordance with statutory or contractual obligations. Upon payment of the contributions, the Company had no further benefit obligations.

Expenses from defined contribution plans amounted to EUR 1,224 K (previous year: EUR 1,098 K). Contributions to statutory pension funds came to EUR 23,831 K (previous year: EUR 23,003 K).

In Switzerland, the current benefits agreements for employees are effected by plans which are regulated by the Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge (Federal Law on Occupational Old-age, Survivor's and Disability Insurance, BVG). Pension plans in Switzerland are administered by collective foundations which are financed by regular employee and employer contributions. The final pension benefits are contribution-based with specific minimum guarantees. Due to these minimum guarantees, pension plans in Switzerland are allocated as being defined benefit plans, although they possess many properties of defined contribution plans. The deficient cover can be remedied by various methods, such as increasing employee and employer contributions, lowering the interest rate for retirement assets, or reducing future benefit claims.

Summary of the pension provisions

in EUR K	2022	2021
Pension plan of the Euro companies	79,231	118,222
Pension plan of Sto AG, Switzerland	2,853	3,982
Total	**82,084**	**122,204**

Development of pension provisions

Pension plan of the Euro companies

in EUR K	Present value of the defined benefit obligation (I)	Fair value of the plan assets (II)	Liability from the defined benefit obligation (I) – (II)
As at 1 January 2021	**132,606**	**10,997**	**121,609**
Current service cost	4,449	0	4,449
Interest expense/income	723	59	664
Expenses for/income from pension obligations recognised through profit or loss	**5,172**	**59**	**5,113**
Pension benefits paid	**–2,839**	**–361**	**–2,478**
Actuarial gains and losses from changes in demographic assumptions	5	0	5
Actuarial gains and losses from changes in financial assumptions	–5,183	272	–5,455
Experience-based adjustments	55	0	55
Profit/loss from reassessment recognised in other earnings	**–5,123**	**272**	**–5,395**
Other	–453	0	–453
Employer contributions	**0**	**174**	**–174**
As at 31 December 2021	**129,363**	**11,141**	**118,222**

Pension plan of the Euro companies

in EUR K	Present value of the defined benefit obligation (I)	Fair value of the plan assets (II)	Liability from the defined benefit obligation (I) – (II)
As at 1 January 2022	**129,363**	**11,141**	**118,222**
Current service cost	4,373	0	4,373
Interest expense/income	1,404	117	1,287
Expenses for/income from pension obligations recognised through profit or loss	**5,777**	**117**	**5,660**
Pension benefits paid	**–3,131**	**–405**	**–2,726**
Actuarial gains and losses from changes in demographic assumptions	–567	0	–567
Actuarial gains and losses from changes in financial assumptions	–43,767	–2,480	–41,287
Experience-based adjustments	130	0	130
Profit/loss from reassessment recognised in other earnings	**–44,204**	**–2,480**	**–41,724**
Other	0	0	0
Employer contributions	**0**	**201**	**–201**
As at 31 December 2022	**87,805**	**8,574**	**79,231**

The change in the actuarial gains and losses from changes to financial assumptions in comparison to the previous year is primarily due to the increase in the discount rate from 1.10 % to 3.67 %.

Current service costs are included in personnel costs; interest expenses on the obligation is reported under interest expenses, Note (10).

The plan assets of the Euro companies are qualifying insurance contracts in the form of reinsurance policies. The contributions to the plan assets for the following financial year are expected to amount to EUR 154 K (previous year: EUR 166 K).

The calculation of pension provisions was based on the following assumptions.

Germany

	2022	2021
Discount rate as at 31 December in %	3.67	1.10
Future pension increases in %	2023 and 2024: 5.20 from 2025: 2.00	1.80
Age of retirement in years	65	65

Outside of Germany

	2022	2021
Discount rate as at 31 December in %	3.67	1.10
Future pension increases in %	2.40	2.40
Age of retirement in years	62 – 65	62 – 65

Since 31 December 2018, the 'Richttafel 2018 G' (Reference Table 2018 G) by Prof Dr Klaus Heubeck has been used as the biometric basis for calculations for German companies.

The running period of the defined benefit obligation of the Euro companies averaged at 16.05 years (previous year: 20.46 years).

Pension plan of Sto AG, Switzerland

in EUR K	Present value of the defined benefit obligation (I)	Fair value of the plan assets (II)	Liability from the defined benefit obligation (I) – (II)
As at 1 January 2021	**39,258**	**28,401**	**10,857**
Currency differences	**1,683**	**1,515**	**168**
Current service cost	1,347	0	1,347
Interest expense/income	59	43	16
Past service costs	89	0	89
Expenses for/income from pension obligations recognised through profit or loss	**1,495**	**43**	**1,452**
Pension benefits paid	**–3,954**	**–3,954**	**0**
Actuarial gains and losses from changes in demographic assumptions	–2,495	0	–2,495
Actuarial gains and losses from changes in financial assumptions	–412	–297	–115
Revaluation of plan assets	0	4,836	–4,836
Experience-based adjustments	7	0	7
Profit/loss from reassessment recognised in other earnings	**–2,900**	**4,539**	**–7,439**
Employer contributions	**0**	**1,056**	**–1,056**
Employee contributions	**3,053**	**3,053**	**0**
As at 31 December 2021	**38,635**	**34,653**	**3,982**

Pension plan of Sto AG, Switzerland

in EUR K	Present value of the defined benefit obligation (I)	Fair value of the plan assets (II)	Liability from the defined benefit obligation (I) – (II)
As at 1 January 2022	**38,635**	**34,653**	**3,982**
Currency differences	**1,771**	**1,601**	**170**
Current service cost	1,065	0	1,065
Interest expense/income	119	107	12
Past service costs	9	0	9
Expenses for/income from pension obligations recognised through profit or loss	**1,193**	**107**	**1,086**
Pension benefits paid	**–4,368**	**–4,368**	**0**
Actuarial gains and losses from changes in demographic assumptions	0	0	0
Actuarial gains and losses from changes in financial assumptions	–5,804	–4,851	–953
Revaluation of plan assets	0	0	0
Experience-based adjustments	–327	0	–327
Profit/loss from reassessment recognised in other earnings	**–6,131**	**–4,851**	**–1,280**
Employer contributions	**0**	**1,105**	**–1,105**
Employee contributions	**2,986**	**2,986**	**0**
As at 31 December 2022	**34,086**	**31,233**	**2,853**

The change in the actuarial gains and losses from changes to financial assumptions in comparison to the previous year is primarily due to the increase in the discount rate from 0.30 % to 2.30 %.

The plan assets of Sto AG, Switzerland, take the form of qualifying insurance contracts. All regulatory benefits such as disability, death and longevity are integrally covered in the insurance contract. Due to a change of provider, the plan assets were revalued in the previous year. This led to an increase in fair value of the plan assets of EUR 4,836 K.

The contributions to the plan assets for the following financial year are expected to amount to EUR 1,384 K (previous year: EUR 1,081 K).

The calculation of pension provisions of Sto AG, Switzerland, was based on the following assumptions:

Switzerland

	2022	2021
Discount rate as at 31 December in %	2.30	0.30
Future salary increases in %	1.20	1.00
Age of retirement in years	65	65

The BVG 2020 Generation Life Table was used as the biometric base for calculation.

The running period of the defined benefit obligation averages at 10.10 years at the end of the reporting period (previous year: 12.20 years).

The following shows a quantitative sensitivity analysis of the most important assumptions as at 31 December 2022:

Effects on the defined benefit obligation of the Euro countries

in EUR K	31 Dec 2022	31 Dec 2021
Discount rate		
Decline by 0.5 %	7,724	14,241
Increase by 0.5 %	−6,858	−12,553
Pensions		
Decline by 1.0 %	−7,500	−15,040
Increase by 1.0 %	8,673	17,907
Life expectancy		
Decrease by 1 year	−2,711	−5,206
Increase by 1 year	2,454	4,848
Retirement age		
Decrease by 1 year	1,948	2,305
Increase by 1 year	−2,275	−3,013

Effects on the defined benefit obligation of Sto AG Switzerland

in EUR K	31 Dec 2022	31 Dec 2021
Discount rate		
Decline by 0.5 %	1,815	2,564
Increase by 0.5 %	−1,637	−2,272
Salary adjustments		
Decline by 0.5 %	−141	−184
Increase by 0.5 %	142	181
Life expectancy		
Decrease by 1 year	−272	−476
Increase by 1 year	259	460

To determine the above sensitivity analysis, the provisions were determined based on the internationally applicable projected unit credit method taking into consideration the changed parameters while keeping the other parameters steady. These provisions were then compared to the provision as at 31 December 2022.

The following amounts are expected to be paid over the next few years as part of the defined benefit obligation:

Expected disbursements

in EUR K	as at 31 Dec 2022	as at 31 Dec 2021
Within the next 12 months	6,776	5,871
Between 1 and 5 years	26,400	23,486
Between 5 and 10 years	44,058	36,712
Expected disbursements within the next 10 years	**77,234**	**66,069**

(25) Non-current and current other provisions

in EUR K	Human resources division	Production division	Sales division	Miscellaneous provisions	Total
As at 1 January 2021	**10,628**	**1,545**	**51,265**	**5,192**	**68,630**
Currency differences	76	0	−344	5	−263
Consumption	−3,192	−119	−7,855	−2,058	−13,224
Additions/formation	1,771	1,063	7,320	1,782	11,936
Changes to the companies consolidated	3	0	207	10	220
Compounding of interest	39	12	54	1	106
Reversal	−1,994	−3	−3,007	−566	−5,570
As at 31 December 2021	**7,331**	**2,498**	**47,640**	**4,366**	**61,835**
Currency differences	−18	0	−1,206	17	−1,207
Consumption	−1,418	−137	−9,404	−2,174	−13,133
Additions/formation	692	108	5,721	2,445	8,966
Changes to the companies consolidated	0	0	0	0	0
Compounding of interest	65	9	42	1	117
Reversal	−566	−105	−5,876	−1,302	−7,849
As at 31 December 2022	**6,086**	**2,373**	**36,917**	**3,353**	**48,729**
of which current	**2,754**	**1,376**	**26,091**	**2,843**	**33,064**
of which non-current	**3,332**	**997**	**10,826**	**510**	**15,665**

Provisions in the area of human resources were set aside for anniversary expenses, termination settlements and similar obligations, among other things.

Provisions of the production division comprise, inter alia, asset retirement obligations and disposal costs.

Provisions in the sales area essentially comprise provisions for warranties, compensation claims of commercial representatives as well as provisions for litigation risks.

Standing at EUR 11,564 K (previous year: EUR 19,526 K), the most significant individual provision within warranty provisions is contrasted by an insurance refund claim of EUR 4,232 K (previous year: EUR 9,198 K) which is reported under current other assets.

In addition to provisions for acceptance obligations and safe-keeping obligations, the miscellaneous other provisions comprise additional factual circumstances subordinate in nature in terms of their recognition.

(26) Non-current and current borrowings

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2021**
Liabilities to banks	5,586	1,888	7,474
Other borrowings	2,654	27	2,681
Total borrowings	**8,240**	**1,915**	**10,155**

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**
Liabilities to banks	1,548	904	2,452
Other borrowings	2,510	28	2,538
Total borrowings	**4,058**	**932**	**4,990**

(27) Non-current and current lease liabilities

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2021**
Liabilities from leases	20,406	67,209	87,615

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**
Liabilities from leases	19,798	60,693	80,491

The current and future payments from lease liabilities can be seen in the following tables:

in EUR K	**2021**	up to 1 year	1–5 years	5–10 years	**31 Dec 2021**
Lease payments	22,618	21,472	50,356	20,589	92,417
Interest portions	615	1,066	2,231	1,505	4,802
Carrying amount/present value of lease liabilities	**22,003**	**20,406**	**48,125**	**19,084**	**87,615**
Payments for current leases	5,747	673	0	0	673
Payments for small-ticket leases	385	172	337	4	513

in EUR K	**2022**	up to 1 year	1–5 years	5–10 years	**31 Dec 2022**
Lease payments	23,447	20,828	47,820	16,588	85,236
Interest portions	988	1,030	2,180	1,535	4,745
Carrying amount/present value of lease liabilities	**22,459**	**19,798**	**45,640**	**15,053**	**80,491**
Payments for current leases	9,434	1,108	0	0	1,108
Payments for small-ticket leases	768	151	548	0	699

Total lease payments in the current year amounted to EUR 33,649 K (previous year: EUR 28,750 K).

Potential future cash outflows from leases were not included in the lease liability as it was not sufficiently certain that the leasing contracts would be renewed.

Cash outflows from leases possible in the future are shown in the following table:

in EUR K	2022	2021
From extension and termination options	5,798	4,983
From contracts not yet active	2,095	2,067

Current earnings include the following additional expenses relating to leases:

in EUR K	2022	2021
Expenses for short-term leases	9,434	5,747
Expenses for small-ticket leases	768	385
Expenses from variable lease payments	48	26
Amortisation of rights of use	22,859	21,176

Information on the rights of use and further explanations can be found in Notes (10) and (15).

(28) Non-current and current trade payables

in EUR K	current	non-current	Carrying amount as at 31 Dec 2022	current	non-current	Carrying amount as at 31 Dec 2021
from						
Third parties	67,079	0	67,079	63,157	0	63,157
Companies accounted for using the equity method	59	0	59	93	0	93
Total trade payables	**67,138**	**0**	**67,138**	**63,250**	**0**	**63,250**

The fair values of trade payables correspond to the carrying amounts.

(29) Non-current and current other financial liabilities

in EUR K	current	non-current	Carrying amount as at 31 Dec 2022	current	non-current	Carrying amount as at 31 Dec 2021
Negative fair values of derivative financial instruments	772	0	772	786	0	786
Miscellaneous other financial liabilities						
towards customers	28,307	0	28,307	25,337	0	25,337
towards employees	1,413	0	1,413	1,564	0	1,564
Other	15,814	4,798	20,612	17,415	214	17,629
Total other financial liabilities	**46,306**	**4,798**	**51,104**	**45,102**	**214**	**45,316**

As in the previous year, the negative fair value of derivative financial instruments resulted from currency hedging transactions explained in Note (34) in more detail.

(30) Non-current and current other liabilities

in EUR K	current	non-current	Carrying amount as at 31 Dec 2022	current	non-current	Carrying amount as at 31 Dec 2021
Advance payment received on orders	4,896	0	4,896	3,508	0	3,508
Miscellaneous liabilities						
from other taxes	11,778	0	11,778	10,357	0	10,357
social security liabilities	5,249	0	5,249	4,631	0	4,631
towards employees	35,217	460	35,677	34,252	0	34,252
Other	7,859	18	7,877	7,241	24	7,265
Total other liabilities	**64,999**	**478**	**65,477**	**59,989**	**24**	**60,013**

(31) Further notes on the statement of financial position with regard to financial instruments in accordance with IFRS 7

Reconciliation of balance sheet items with financial instrument categories 2021

in EUR K	Measurement category in accordance with IFRS 9	**Carrying amount 31 Dec 2021**	Amortised costs of acquisition		Financial instruments Fair value	Value recognition in the balance sheet in accordance with IFRS 16	Not in the scope of application of IFRS 7/hedge accounting
			Carrying amount	Fair value			
Assets							
Trade receivables	FAAC	147,583	147,583	147,583	0	0	0
Other financial assets							
Other investments	FVTPL	4	0	0	4	0	0
Holding and trading of financial investments	FVOCI	69,136	0	0	69,136	0	0
Derivative assets without hedge relationship	FVTPL	425	0	0	425	0	0
Miscellaneous other financial assets	FAAC	8,301	8,301	8,301	0	0	0
Other financial assets – Associated companies	FAAC	255	255	255	0	0	0
Financial investments	FAAC	64,325	64,325	64,210	0	0	0
Total other financial assets		142,446	72,881	72,766	69,565	0	0
Cash and cash equivalents	FAAC	137,135	137,135	137,135	0	0	0
Equity and liabilities							
Borrowings	FLAC	10,155	10,155	10,256	0	0	0
Lease liabilities	NA	87,615	0	0	0	87,615	0
Trade payables	FLAC	63,250	63,250	63,250	0	0	0
Other financial liabilities							
Derivative liabilities without hedge relationship	FLTPL	786	0	0	786	0	0
Miscellaneous other financial liabilities	FLAC	44,530	44,530	44,530	0	0	0
Total other financial liabilities		45,316	44,530	44,530	786	0	0

Reconciliation of balance sheet items with financial instrument categories 2022

in EUR K	Measurement category in accordance with IFRS 9	**Carrying amount 31 Dec 2022**	Amortised costs of acquisition		Financial instruments		
			Carrying amount	Fair value	Fair value	Value recognition in the balance sheet in accordance with IFRS 16	Not in the scope of application of IFRS 7/hedge accounting
Assets							
Trade receivables	FAAC	172,460	172,460	172,460	0	0	0
Other financial assets							
Other investments	FVTPL	4	0	0	4	0	0
Holding and trading of financial investments	FVOCI	66,310	0	0	66,310	0	0
Derivative assets without hedge relationship	FVTPL	250	0	0	250	0	0
Miscellaneous other financial assets	FAAC	8,631	8,631	8,631	0	0	0
Other financial assets – Associated companies	FAAC	252	252	252	0	0	0
Financial investments	FAAC	66,818	66,818	64,799	0	0	0
Total other financial assets		142,265	75,701	73,682	66,564	0	0
Cash and cash equivalents	FAAC	119,423	119,423	119,423	0	0	0
Equity and liabilities							
Borrowings	FLAC	4,990	4,990	4,991	0	0	0
Lease liabilities	NA	80,491	0	0	0	80,491	0
Trade payables	FLAC	67,138	67,138	67,138	0	0	0
Other financial liabilities							
Derivative liabilities without hedge relationship	FLTPL	772	0	0	772	0	0
Miscellaneous other financial liabilities	FLAC	50,332	50,332	50,332	0	0	0
Total other financial liabilities		51,104	50,332	50,332	772	0	0

The carrying amounts of the financial instruments aggregated in accordance with the measurement categories stipulated in IFRS 9:

in EUR K	**31 Dec 2022**	**31 Dec 2021**
Financial assets measured at fair value through profit or loss (FVTPL)	254	429
Financial assets measured at amortised cost (FAAC)	367,584	357,599
Financial assets measured at fair value through other comprehensive income (FVOCI)	66,310	69,136
Financial liabilities measured at amortised cost (FLAC)	122,460	117,935
Financial liabilities measured at fair value through profit or loss (FLTPL)	772	786

Balance sheet items measured at fair value

in EUR K	31 Dec 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
· Derivatives with no hedge relationship	425	0	425	0
· Others	4	0	0	4
Financial assets measured at fair value with no impact on profit or loss				
· Holding and trading of financial investments	69,136	69,136	0	0
Financial assets measured at fair value	**69,565**	**69,136**	**425**	**4**
Financial liabilities measured at fair value through profit or loss				
· Derivatives with no hedge relationship	786	0	786	0
Financial liabilities measured at fair value	**786**	**0**	**786**	**0**

in EUR K	31 Dec 2022	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
· Derivatives with no hedge relationship	250	0	250	0
· Others	4	0	0	4
Financial assets measured at fair value with no impact on profit or loss				
· Holding and trading of financial investments	66,310	66,310	0	0
Financial assets measured at fair value	**66,564**	**66,310**	**250**	**4**
Financial liabilities measured at fair value through profit or loss				
· Derivatives with no hedge relationship	772	0	772	0
Financial liabilities measured at fair value	**772**	**0**	**772**	**0**

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

Level 1
Financial instruments traded in active markets, the listed prices of which were adopted unchanged for measurement purposes.

Level 2
The valuation was made on the basis of valuation methods in which the influential factors were derived either directly or indirectly from observable market data. They were measured based on the observable exchange rates, interest structure curves of the respective currencies as well as currency-related basic spreads between the respective currencies. Derivatives consisted exclusively of currency hedges.

Level 3
The measurement was effected using valuation methods where the influential factors were not based exclusively on observable market data.

Neither any reclassifications between the levels nor any additions or disposals were carried out during the reporting period.

The valuation result from fair-value measurement with an impact on profit or loss is a component of Other operating income, Note (3) and Other operating expenses, Note (6). No netting takes place.

Financial instruments recognised at fair value with no impact on profit or loss were measured on the basis of market values as at the reference date.

Development of impairment of the financial instruments measured at amortised acquisition costs

in EUR K	Trade receivables	Other financial assets
As at 1 January 2021	**23,887**	**345**
Exchange rate differences	302	6
Additions	8,145	71
Consumption	– 1,868	0
Reversals	– 5,263	– 120
As at 31 December 2021	**25,203**	**302**

in EUR K	Trade receivables	Other financial assets
As at 1 January 2022	**25,203**	**302**
Exchange rate differences	– 148	0
Additions	8,011	117
Consumption	– 2,753	0
Reversals	– 3,756	– 8
As at 31 December 2022	**26,557**	**411**

Impairment of financial assets

The basis of assessment for determining the provisions for loss using the general approach in relation to the age structure ranges in accordance with IFRS 9 resulted from the underlying gross receivables of EUR 199,016 K (previous year: EUR 172,786 K) less individual impairments of EUR 20,246 K (previous year: EUR 20,215 K) based on gross receivables of EUR 24,297 K (previous year: EUR 25,869 K), recoverable VAT of EUR 23,669 K (previous year: EUR 15,690 K), held securities FROM customers of EUR 10,143 K (previous year: EUR 8,371 K) as well as credit-insured contributions of EUR 29,664 K (previous year: 32,440 K). To calculate provisions for loss, the gross receivables, recoverable VAT, held securities from customers as well as credit-insured contributions underlying the individual impairments were deducted from the gross receivables for determining the basis of assessment as the corresponding amounts were assessed as fully recoverable and hence not associated with risks. After deducting the above-mentioned amounts from the gross receivables, gross receivables of EUR 111,243 K remained, which formed the basis for recognising provisions for loss of EUR 6,311 K.

IFRS 9 Provisions for loss on trade receivables using the general approach as at 31 December 2021:

in EUR K	Not due:	1–30 days	31–60 days	61–90 days	91–120 days	121–180 days	181–364 days	365–730 days	> 730 days	**Total**
Trade receivables	68,509	10,258	4,411	1,938	939	1,168	745	806	1,642	**90,416**
Risk coefficient	2 %	3 %	6 %	12 %	15 %	20 %	26 %	85 %	95 %	
Provisions for loss	1,370	308	265	233	141	234	194	685	1,560	**4,988**

IFRS 9 Provisions for loss on trade receivables using the general approach as at 31 December 2022:

in EUR K	Not due:	1–30 days	31–60 days	61–90 days	91–120 days	121–180 days	181–364 days	365–730 days	> 730 days	**Total**
Trade receivables	80,770	14,709	5,593	2,565	1,491	1,998	1,204	939	1,974	**111,243**
Risk coefficient	2 %	3 %	6 %	12 %	15 %	20 %	26 %	85 %	95 %	
Provisions for loss	1,615	441	336	308	224	400	313	798	1,876	**6,311**

Taking into account all impairments of EUR 26,557 K (previous year: EUR 25,203 K), this resulted in amortised acquisition costs of EUR 172,459 K (previous year: EUR 147,583 K).

IFRS 9 Provisions for loss on other financial assets and cash and cash equivalents as at 31 December 2021:

in EUR K	Basis of assessment	Discount in %	**Provisions for loss**
Financial investments, and cash and cash equivalents (FAAC)	201,742	0.14 %	282
Financial investment at fair value OCI (FVOCI)	69,136	0.14 %	97
Other financial assets – Associated companies (FAAC)	255	0.13 %	0
Other financial assets – Third parties (FAAC)	8,311	0.12 %	10

IFRS 9 Provisions for loss on other financial assets and cash and cash equivalents as at 31 December 2022:

in EUR K	Basis of assessment	Discount in %	**Provisions for loss**
Financial investments, and cash and cash equivalents (FAAC)	186,633	0.21 %	392
Financial investment at fair value OCI (FVOCI)	66,310	0.06 %	40
Other financial assets – Associated companies (FAAC)	252	0.09 %	0
Other financial assets – Third parties (FAAC)	8,641	0.13 %	10

The total impairment expense, including individual impairments, amounts to EUR 8,011 K (previous year: EUR 8,145 K) for Trade receivables and to EUR 117 K (previous year: EUR 71 K) for other financial assets (FAAC). As in the previous year, all impairment expenses are still in the process of being recovered.

The following table shows the carrying amounts and fair values of the financial instruments as at 31 December 2022, excluding financial instruments which typically barely differ between carrying amount and fair value:

in EUR K	**Carrying amount as at 31 Dec 2022**	Fair value as at 31 Dec 2022	Fair-value level
Other financial assets			
Non-current			
Investments	4	4	Level 3
Financial investments (FVOCI)	14,719	14,719	Level 1
Financial investments (FAAC)	23,435	21,430	Level 2
Various other financial assets	1,708	1,708	Level 2
Total non-current other financial assets	**39,866**	**37,861**	
Current			
Financial investments (FVOCI)	51,591	51,591	Level 1
Financial investments (FAAC)	43,383	43,369	Level 2
Forward exchange contracts	250	250	Level 2
Various other financial assets	7,175	7,175	Level 2
Total current other financial assets	**102,399**	**102,385**	
Total other financial assets	**142,265**	**140,246**	
Other financial liabilities			
Non-current			
Borrowings	932	932	Level 2
Various other financial liabilities	4,798	4,798	Level 2
Total non-current other financial liabilities	**5,730**	**5,730**	
Current			
Borrowings	4,058	4,059	Level 2
Forward exchange contracts	772	772	Level 2
Various other financial liabilities	45,534	45,534	Level 2
Total current other financial liabilities	**50,364**	**50,365**	
Total other financial liabilities	**56,094**	**56,095**	

The carrying amounts of cash and cash equivalents, trade receivables and liabilities as well as current borrowings and other liabilities nearly correspond to the fair values due to their short terms. The financial investments and borrowings are mainly borrower's note loans, Money Market Funds, fixed-term deposits, loans and current account credits to banks. The fair values of financial assets and liabilities at amortised cost were determined using the present-value method based on interest rates appropriate to maturities and creditworthiness.

Other disclosures

(32) Statement of cash flows

The statement of cash flows shows how the Group's liquidity position has changed in the course of the year under review as a result of cash inflows and outflows. For this purpose, it distinguishes between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities (IAS 7 Statement of Cash Flows).

The liquid fund in the statement of cash flows solely comprises the cash and cash equivalents reported in the statement of financial position that include financial investments with an original term of up to three months.

Based on EAT, the cash flow is indirectly derived from operating activities. Earnings after taxes (EAT) are adjusted for taxes on income and earnings as well as for non-cash expenses (essentially depreciation/amortisation) and non-cash income. Cash flow from operating activities reflects changes in working capital.

Cash inflows and cash outflows from investing and financing activities are calculated using the direct method. Investment activities comprise disbursements for additions to Intangible assets and Tangible fixed assets as well as disbursements for the acquisition of consolidated companies and other business units, interest received, deposits arising from the disposal of Intangible assets and Property, plant and equipment, as well as disbursements and payments for financial investments.

Financing activities comprise cash outflows from payments to shareholders, interest payments, payments for the repayment portion of the lease liabilities, and the taking-out and repayment of loans, as well as changes to miscellaneous borrowings. Changes in items of the statement of financial position analysed for the statement of cash flows cannot be directly derived from the balance sheet on account of non-cash currency translation effects and other non-cash transactions. Please refer to the explanations in Note (34) for amendments to liabilities from financing activities.

(33) Segment reporting

For the purpose of corporate management by the responsible corporate entity – the personally liable partner STO Management SE – the Group was divided up into geographical business units. These were divided into the operating segments of Western Europe, Northern/Eastern Europe and America/Asia/Pacific. The business segment of Western Europe comprised business in the regions of the Euro zone (without Finland, Lithuania, and Slovakia), Switzerland, as well as the United Kingdom.

The activities of all segments included the production and distribution of facade systems, facade coatings, interior products, and other product groups.

The full Executive Board of STO Management SE was identified as Chief Operating Decision Maker as the underlying topics, e.g. the allocation of resources and questions regarding corporate planning, were jointly decided by the Executive Board.

The netting prices between segments conformed to arms-length conditions. Transfers between business segments were eliminated on consolidation.

Internal reporting was carried out in accordance with IFRS.

The segment results were reported in the levels EBITDA, EBIT, and EBT. The elimination of earnings between the segments and the income from investments of the Company accounted for using the equity method in the amount of EUR 397 K were recorded in EBT in the consolidation column. In the previous year, the elimination of earnings between the segments, income from investments of companies accounted for using the equity method in the amount of EUR 1,779 K as well as miscellaneous financial income of EUR 3,461 K were recorded in EBT in the consolidation column.

Depreciation/amortisation relate to Property, plant, and equipment, Intangible assets, Rights of use as well as Impairments. Investments relate to Property, plant and equipment, and Intangible assets.

In the year under review, an impairment test in the segment of Western Europe at VIACOR Polymer GmbH and Liaver GmbH & Co. KG revealed necessary impairments on Intangible asset of EUR 1,892 K and EUR 1,437 K respectively. In the segment of America/Asia/Pacific, the goodwill of the CGU Sto China was impaired in the amount of EUR 675 K on the basis of the impairment test. In the previous year, the impairment test in the segment of Western Europe resulted in a necessary impairment of goodwill of EUR 10,009 K at JONAS Farben GmbH.

Segment assets mainly comprise Property, plant and equipment, Intangible assets, Rights of use, Inventories, Trade receivables from third parties as well as Other receivable and Financial assets from third parties. Segment assets are not a control variable.

Income tax receivables in the amount of EUR 4,688 K (previous year: EUR 3,413 K), and Deferred tax receivables in the amount of EUR 18,674 K (previous year: EUR 30,197 K) are listed in the 'Reconciliation/consolidation booking entries' column under 'Segment assets'. No material adjustments were made to earnings.

Owing to the broad customer structure, there is no customer with whom 10 % or more of sales revenues are generated.

The breakdown of sales revenues is made according to the customer's head office.

in EUR K	Germany	France	Others	**Total in 2021**
External revenues	692,514	170,593	727,422	**1,590,529**
Intangible assets, Property, plant and, equipment, and Rights of use	234,026	31,195	169,736	**434,957**

in EUR K	Germany	France	Others	**Total in 2022**
External revenues	761,838	197,063	828,485	**1,787,386**
Intangible assets, Property, plant and, equipment, and Rights of use	252,125	31,045	148,360	**431,530**

(34) Financial risk management and risks of the financial instruments

Hedging policy

The Group's international activities expose it to interest and currency risks in particular. The goal of risk management is to adequately hedge currency risks that can arise during planning. Currency forwards with a term of up to one year are generally concluded for this purpose.

Directives are used to regulate the scope of action and internal controls. Within the framework of these directives, only hedging transactions with approved counterparties may be concluded to hedge existing or planned transactions. As a matter of principle, the type and scope of hedging operations are determined by the underlying transaction.

Liquidity risk

Liquidity planning is the basis of liquidity management. As at the balance sheet date, cash and cash equivalents as well as existing, unused credit lines in the amount of EUR 130.3 million (previous year: EUR 129.4 million) were available. These credit lines were mainly a syndicated loan, which was first taken out in 2012 and which was extended until April 2027 in April 2022, including two extension options for a year each.

The following overview sets out the contractually agreed cash outflows from financial instruments including interest, not including cash outflows from leases shown in Note (27).

Cash outflows as at 31 December 2021

in EUR K	up to 1 year	1–5 years	5–10 years	**31 Dec 2021**
Borrowings	8,364	1,877	127	10,368
Trade payables	63,250	0	0	63,250
Other financial liabilities	44,322	214	0	44,536
Derivatives	76,842	0	0	76,842
Total cash outflows	**192,778**	**2,091**	**127**	**194,996**

Cash outflows as at 31 December 2022

in EUR K	up to 1 year	1–5 years	5–10 years	**31 Dec 2022**
Borrowings	4,161	929	19	5,109
Trade payables	67,138	0	0	67,138
Other financial liabilities	45,534	4,798	0	50,332
Derivatives	51,656	0	0	51,656
Total cash outflows	**168,490**	**5,727**	**19**	**174,236**

In the following, the cash outflows are compared to the cash inflows of the derivatives:

Inflows/outflows of cash and cash equivalents as at 31 Dec 2021

in EUR K	up to 1 year	1–5 years	5–10 years	**Total**
Inflow	76,481	0	0	76,481
Outflow	76,842	0	0	76,842
Balance	**–361**	**0**	**0**	**–361**

Inflows/outflows of cash and cash equivalents as at 31 Dec 2022

in EUR K	up to 1 year	1–5 years	5–10 years	**Total**
Inflow	51,138	0	0	51,138
Outflow	51,660	0	0	–51,660
Balance	**–522**	**0**	**0**	**–522**

The amounts correspond to the un-discounted cash flows. The payments can be processed on a gross or net basis.

The following overview shows the changes in the liabilities from financing activities.

in EUR K	**1 January 2021**	Waived loans	Changes to the companies consolidated	Cash flows	New leases	Reclassification of maturity	Currency translation effects	**31 December 2021**
Current interest-bearing loans	7,654	0	1,548	–1,806	0	846	–2	8,240
Non-current interest-bearing loans	5,269	–2,494	0	–17	0	–846	3	1,915
Total interest-bearing loans	**12,923**	**–2,494**	**1,548**	**–1,823**	**0**	**0**	**1**	**10,155**
Current lease liabilities	18,583	0	0	–22,003	4,131	19,589	106	20,406
Non-current lease liabilities	46,153	0	0	0	39,921	–19,589	724	67,209
Total lease liabilities	**64,736**	**0**	**0**	**–22,003**	**44,052**	**0**	**830**	**87,615**
Total liabilities from financing activities	**77,659**	**–2,494**	**1,548**	**–23,826**	**44,052**	**0**	**831**	**97,770**

in EUR K	**1 January 2022**	Waived loans	Changes to the companies consolidated	Cash flows	New leases	Reclassification of maturity	Currency translation effects	**31 December 2022**
Current interest-bearing loans	8,240	0	0	–5,163	0	982	–1	4,058
Non-current interest-bearing loans	1,915	0	0	0	0	–982	–1	932
Total interest-bearing loans	**10,155**	**0**	**0**	**–5,163**	**0**	**0**	**–2**	**4,990**
Current lease liabilities	20,406	0	0	–22,459	2,515	20,377	–1,041	19,798
Non-current lease liabilities	67,209	0	0	0	14,517	–20,377	–656	60,693
Total lease liabilities	**87,615**	**0**	**0**	**–22,459**	**17,032**	**0**	**–1,697**	**80,491**
Total liabilities from financing activities	**97,770**	**0**	**0**	**–27,622**	**17,032**	**0**	**–1,699**	**85,481**

Default risk arising from financial assets

The default risk arising with regard to financial assets is based on a contractual partner defaulting and is hence limited to the maximum net carrying amount of the receivable due from the respective counterparty.

In connection with the investment of cash and the portfolio of derivative financial assets, there are generally default risks due to the risks of financial institutions failing to honour their obligations. The resulting risk was controlled by means of diversification and the careful selection of counterparties. As at the balance sheet date, no cash investments or derivative financial assets were overdue or individually impaired.

The default risk of trade receivables was taken into account by means of impairments. There was no concentration of default risks, which were mainly measured by cluster risks, i.e. risk concentrations with regard to borrower rating classes, customer structure and proportion of receivables from a customer in relation to total receivables.

Please refer to the explanations in Note (7), Note (12), and Note (31) for more information on impairments on financial assets.

Currency risk

Payments in foreign currency are determined in the budget phase for the following year. On the basis of the planned payment flows, suitable hedging strategies are created, agreed upon with the relevant bodies, and implemented. The planned cash positions are hedged without exception through hedging instruments congruent with the time and economic state from the area of derivatives. The currency hedge mainly affected CZK/EUR, HUF/EUR, SGD/EUR, USD/EUR, NOK/EUR, SEK/EUR, PLN/EUR, CAD/EUR, CHF/EUR, GBP/EUR, AUD/EUR as well as CAD/USD. The changes in fair value were recognised in the statement of profit or loss with an impact on profit or loss.

The main operative currency risks are due to the manufacture of products in Germany and their subsequent selling and delivery to subsidiaries outside of Germany in Euro. Currency risks occurred due to business completed in euros with subsidiaries outside the Euro zone, mainly in Switzerland, Sweden, Poland, Hungary, Great Britain, Norway, and the Czech Republic. All non-functional currencies in which the Group holds financial instruments are used as relevant risk variables in the sensitivity analysis stipulated by IFRS 7.

The essential currency risk results from the change in the assets and liabilities in the non-functional currency pair CNY/EUR. If the Chinese renminbi had been 10 % lower/higher against the euro, pre-tax earnings would have been up by EUR 34 K (previous year: EUR 140 K), or down by EUR 28 K (previous year: EUR 115 K).

Interest rate risk

Interest risks in accordance with IFRS 7 essentially arise due to possible changes in the market interest rates for cash investments and due to the variable interest rates for current and non-current liabilities.

The volume of non-current, variable-rate borrowings was so low that a change of the market interest level by 100 basis points as at 31 December 2022 would have had no significant impact on earnings, like in the previous year.

As at the balance sheet date, there was no interest risk due to the fixed interest rates of longer-term financial investments.

Valuation of derivative financial instruments

The market values of the derivative financial instruments are determined on the basis of the tradability based on reference prices and valuation models and is presented as follows:

31 Dec 2021

in EUR K	Nominal volume	Total market value
Currency forwards	75,211	–361
Total derivative financial instruments	**75,211**	**–361**

31 Dec 2022

in EUR K	Nominal volume	Total market value
Currency forwards	52,069	–522
Total derivative financial instruments	**52,069**	**–522**

The nominal volume of a derivative hedge transaction is the reference amount for which the payments are derived. The hedged contract and the risk are not the same as the nominal volume but only reflect rate changes to which they refer. The market value corresponds to the amount that would have to be paid at the balance sheet date if the hedge had been settled.

The decrease in the nominal volume in a functional currency in case of currency forwards is based on a decreased hedging volume of payments outside the functional currency.

As a rule, the residual maturity of the currency derivatives lies within a year.

(35) Contingencies

in EUR K	2022	2021
Guarantees from the Sto Group to third parties	666	676
Reserve liability to cooperatives	1	1
Total contingencies	**667**	**677**

In the case of the default guarantees or contingency of EUR 667 K (previous year: EUR 677 K), no liability is expected to arise.

(36) Litigation

Neither Sto SE & Co. KGaA nor its Group companies are involved in any court litigation or arbitration proceedings which are liable to exert a significant influence on the Group's economic situation or have done so in the past two years. There is no evidence that any such litigation or proceedings will arise in the future. Provisions in an appropriate amount have been set aside by the individual Group companies to allow for any expenses arising from court litigation or arbitration proceedings.

(37) Other financial obligations

in EUR K	**31 Dec 2021**	Maturity		
		within one year	between 1 – 5 years	after 5 years
Liabilities from maintenance contracts	6,495	5,487	1,008	0
Acceptance obligations	33,676	27,998	5,667	11
Other obligations	2,635	1,095	1,525	15
Total other financial obligations	**42,806**	**34,580**	**8,200**	**26**

in EUR K	**31 Dec 2022**	Maturity		
		within one year	between 1 – 5 years	after 5 years
Liabilities from maintenance contracts	5,728	3,492	2,236	0
Acceptance obligations	33,248	29,579	3,663	6
Other obligations	5,608	1,824	3,775	9
Total other financial obligations	**44,584**	**34,895**	**9,674**	**15**

Of the acceptance obligations, an amount of EUR 12,780 K (previous year: EUR 12,069 K) relates to items of tangible fixed assets. Furthermore, acceptance obligations relating to inventories as well as other acceptance obligations exist.

(38) Auditors' fees

The following fees paid to the auditors of the consolidated annual financial statement of the Sto Group, Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany, for services provided were recorded:

in EUR K	**2022**	**2021**
Audits of financial statements	646	490
Tax consulting services	0	0
Other certification or valuation activities	108	45
Other services	0	0
Auditors' fees in total	**754**	**535**

The services rendered for other certification or valuation services mainly included voluntary audits of financial statements as well as legally or contractually required certifications of the auditor.

(39) Events after the balance sheet date

Between the end of the 2022 financial year and the point at which this report was signed off, there were no other events with a significant impact on the income, financial, and asset situation of the Sto Group.

(40) Related-party disclosures

IAS 24 defines related parties as persons or entities liable to be influenced by the reporting entity or are capable of influencing the reporting entity in question. Please refer to section 1. 'Information on the Company' within the chapter 'General information' for information on the shareholder structure.

All business relations with related parties were conducted on arms-length terms.

As at 31 December 2022, members of the Executive Board of STO Management SE and the Supervisory Board of Sto SE & Co. KGaA are members of the supervisory boards of or have a leading position at other companies with which Sto SE & Co. KGaA maintains relations as part of its ordinary business activities. All transactions with such companies are conducted on arms-length terms.

The volume of deliveries and services, including net interest income, between companies in the Sto Group and related parties and persons are set out in the following table:

in EUR K	Share	Rendered deliveries and services		Received deliveries and services		Receivables from		Liabilities to	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Inotec GmbH, Waldshut-Tiengen/Germany	47.5 %	25	37	4,330	4,187	253	256	59	93
JONAS Farbenwerke GmbH & Co. KG, Wülfrath/Germany	49.8 %*	0	124	0	0	0	0	0	0
STO Management SE, Stühlingen/Germany		538	553	5,408	5,387	65	61	3,932	3,232
Stotmeister Beteiligungs GmbH, Stühlingen/Germany		51	49	0	0	32	32	0	0
Other		0	0	265	275	0	0	23	10

* until 28 February 2021

(41) List of subsidiaries and investments as at 31 December 2022

Fully consolidated companies in Germany

Capital share in %	2022	2021
StoCretec GmbH, Kriftel/Germany	100	100
Verotec GmbH, Lauingen/Germany	100	100
Gefro Verwaltungs-GmbH & Co. KG, Stühlingen/Germany	100	100
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany	100	100
Südwest Lacke + Farben Verwaltungs-GmbH, Böhl-Iggelheim/Germany	100	100
Innolation GmbH, Lauingen/Germany	100	100
Sto SMEE Beteiligungs GmbH, Stühlingen/Germany	100	100
Ströher GmbH, Dillenburg/Germany	100	100
Ströher Produktions GmbH & Co. KG, Dillenburg/Germany	100	100
GEPADI Fliesen GmbH, Dillenburg/Germany	100	100
JONAS Farben GmbH, Wülfrath/Germany	100	100
Sto BTB GmbH, Stühlingen/Germany	100	100
Sto BTF GmbH, Stühlingen/Germany	100	100
Sto BTK GmbH, Stühlingen/Germany	100	100
Sto BTN GmbH, Stühlingen/Germany	100	100
Sto BTR GmbH, Stühlingen/Germany	100	100
Sto BTV GmbH, Stühlingen/Germany	100	100
Sto Building Solutions GmbH, Stühlingen/Germany	100	100
Liaver GmbH & Co. KG, Ilmenau/Germany	100	100
Liaver Beteiligungen GmbH, Stühlingen/Germany	100	100
Sto Panel Holding GmbH, Stühlingen/Germany	100	100
VIACOR Polymer GmbH, Rottenburg am Neckar/Germany	50.1	50.1

For changes in 2022, please refer to section 4. 'Companies consolidated' within the chapter 'General information'.

Fully consolidated companies outside of Germany

Capital share in %	2022	2021
Sto Ges.m.b.H., Villach/Austria	100	100
Sto S.A.S., Bezons/France	100	100
Beissier S.A.S., La Chapelle la Reine/France	100	100
Innolation S.A.S., Amilly/France	100	100
Beissier S.A.U., Errenteria/Spain	100	100
Sto SDF Ibérica S.L.U., Sant Boi de Llobregat/Spanien	100	100
Sto Isoned B.V., Tiel/Netherlands	100	100
Sto N.V., Asse/Belgium	100	100
Sto S.à r.l., Grevenmacher/Luxemburg	100	100
Sto Italia Srl, Empoli/Italy	100	52
Sto Finexter OY, Vantaa/Finland	100	100
Sto Scandinavia AB, Linköping/Sweden	100	100
Sto Danmark A/S, Hvidovre/Denmark	100	100
Sto Norge AS, Langhus/Norway	100	100
StoCretec Flooring AS, Moss/Norway	-	100
UAB TECH-COAT, Klaipėda/Lithuania	95	95
Sto AG, Niederglatt/Switzerland	100	100
Sto Ltd., Paisley/Great Britain	100	100
Sto Sp. z o.o., Warsaw/Poland	100	100
Sto Építöanyag Kft., Dunaharaszti/Hungary	100	100
Sto s.r.o., Dobřejovice/Czech Republic	100	100
STOMIX spol. s.r.o., Skorosice/Czech Republic	100	100
Sto Slovensko s.r.o., Bratislava/Slovakia	100	100
OOO Sto, Moscow/Russia	100	100
Sto Yapı Sistemleri Sanayi ve Ticaret A.Ş., Istanbul/Türkiye	100	100
Sto Gulf Building Material LLC., Dubai/UAE	-	49
Sto Corp., Atlanta/USA	100	100
Sto Canada Ltd., Etobicoke/Canada	100	100
Skyrise Prefab Building Solutions Inc., Pickering/ Canada	100	100
Industrial y Comercial Sto Chile Ltda., Santiago de Chile/Chile	100	100
Sto Colombia S.A.S., Bogota D.C./Columbia	100	100
Sto Mexico S. de R.L. de C.V., Monterrey/Mexico	100	100
Sto Brasil Revestimentos e Fachadas Ltda., Itaquaquecetuba/Brazil	100	100
Sto Corp. Latin America Inc., Panama/Panama *	100	100
Shanghai Sto Ltd., Shanghai/China	100	100
Langfang Sto Building Material Co. Ltd., Langfang/China	100	100
Wuhan Sto Building Material Co. Ltd., Wuhan/ China	100	100
Sto SEA Pte. Ltd., Singapore/Singapore	100	100
Sto SEA Sdn. Bhd., Masai/Malaysia	100	100
Unitex Australia Pty Ltd, Dandenong South/ Australia	100	100
Sto Australia Pty Ltd, Dandenong South/ Australia *	100	100
The Render Warehouse Pty Ltd, Dandenong South/Australia *	100	100
Zebra Architectural Products Pty Ltd, Dandenong South/Australia *	100	100

* Companies without business operations and without any activity

For changes in 2022, please refer to section 4. 'Companies consolidated' within the chapter 'General information'.

Companies accounted for using the equity method

Capital share in %	2022	2021
Inotec GmbH, Waldshut-Tiengen/Germany	47.5	47.5

No restrictions apply with regard to the liquidation of assets or the payment of debts for a fully consolidated company within the Group.

(42) German Corporate Governance Code

On 15 December 2022, the Executive Board of the personally liable partner of Sto SE & Co. KGaA, STO Management SE, and the Supervisory Board of Sto SE & Co. KGaA issued the declaration of compliance with the recommendations of the Regierungskommission Deutscher Corporate Governance Kodex (Governmental commission German Corporate Governance Code) in the version of 28 April 2022 in accordance with Section 161 of the German Stock Corporation Act (AktG) and, on 16 December 2022, made it available to shareholders on the Internet page www.sto.de in the section 'Investor Relations' under the category 'Corporate Governance & Compliance' under 'Entsprechenserklärung' (Declaration of compliance).

(43) Remuneration of the management body and the Supervisory Board

Due to its legal form, Sto SE & Co. KGaA does not have an Executive Board; business is conducted by the personally liable partner STO Management SE as the sole member of the management body pursuant to Section 287 (2) of the German Stock Corporation Act (AktG). This partner receives the statutory liability remuneration and expense allowance in accordance with Section 6 (3) of the Articles of Association of Sto SE & Co. KGaA. This complies with the statutory provisions contained in the German Stock Corporation Act (AktG). Part of this expense allowance was the remuneration of the members of the Executive Board of STO Management SE in the 2022 financial year. The remuneration is made up of a fixed component and a variable component, which can have a larger share but is capped. The variable element consists of a long-term incentive which is based on the turnover development of the Sto Group and the ROCE Group key figure of the past three financial years in comparison to the target for this period, as well as a short-term incentive for the current financial year that is dependent on the Sto Group's earnings after taxes. No stock options are granted. Current due payments for this totalled EUR 3,951 K (previous year: EUR 3,911 K). The long-term-incentive payments, which are also due in the short term, amounted to EUR 448 K (previous year: EUR 464 K). Current and non-current payments amounted to a total of EUR 4,399 K* (previous year: EUR 4,375 K). Expenses for future benefits after terminating the employment relationship (current service cost) amounted to EUR 322 K (previous year: EUR 314 K). Remuneration for the Executive Board of STO Management SE thus totalled EUR 4,721 K (previous year: EUR 4,689 K). Another part of the expense allowance for STO Management SE was the remuneration of the Supervisory Board of STO Management SE for the 2022 financial year in the amount of EUR 178 K (previous year: EUR 173 K).

As at 31 December 2022, the non-current financial liabilities for the current members of the Executive Board of STO Management SE amounted to EUR 43 K (previous year: EUR 61 K). Furthermore, there are current financial liabilities in the amount of EUR 2,691 K (previous year: EUR 2,782 K). As at 31 December 2022, pension provisions for former members of the Executive Board were valued at EUR 1,765 K (previous year: EUR 2,117 K) due to offsetting against plan assets. Remuneration paid to former members of the Executive Board and the Supervisory Board came to EUR 466 K (previous year: EUR 586 K).

In the 2022 financial year, remunerations of the Supervisory Board of Sto SE & Co. KGaA totalled EUR 592 K (previous year: EUR 501 K). Until the amendment to Section 11 of the Articles of Association of Sto SE & Co. KGaA by a resolution of the Annual General Meeting on 22 June 2022, these included a fixed remuneration and a compensation for costs incurred. Therefore, the chairperson was entitled to four times and his or her deputy to two and a half times the amount of the basic remuneration. Chairmanship of a Supervisory Board committee was remunerated with a fixed annual amount. Following the amendment to Section 11 of the Articles of Association of Sto SE & Co. KGaA, the members of the Supervisory Board receive a fixed yearly remuneration. In addition to the fixed (basic) remuneration, the members of the Supervisory Board receive supplementary remuneration for additional positions. Supplementary remuneration is categorised as follows: EUR 70 K for the chairmanship of the Supervisory Board, EUR 25 K for the deputy chairmanship of the Supervisory Board, EUR 25 K for the chairmanship of the Audit Committee and/or Finance Committee, EUR 10 K for the chairmanship of the Nomination Committee, EUR 10 K for each membership of the Audit Committee and/or the Finance Committee (without having chairmanship of any of these committees), and EUR 5 K for the membership of the Nomination Committee (without having chairmanship of this committee). The members of the Supervisory Board will only receive currently due payments for their respective activities on the committee. Excluded from this are compensation and other payments to the Company's employee representatives pursuant to their employment contracts. No compensation has been granted for personally rendered services outside of committee activities by the members of the Supervisory Board.

* Expense allowance for the total remuneration of the Executive Board of the personally liable partner STO Management SE in accordance with Section 314 (1) No. 6 a) of the German Commercial Code (HGB).

Furthermore, we refer you to the Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG), which is published on the website www.sto.de in the section 'Investor Relations' under the category 'Vergütungsbericht gem. § 162 AktG' (Remuneration report in accordance with Section 162 AktG).

Members of the Executive Board of STO Management SE in the 2022 financial year (personally liable partner of Sto SE & Co. KGaA):

Rainer Hüttenberger
Spokesman of the Executive Board, responsible for Sales Sto Brand International, Business Field Organisation, Corporate Strategic Development, M&A, and the Business unit Industry
Stein am Rhein/Switzerland, Dipl.-Betriebswirt (FH)
Chairperson of the BOD of Sto Corp., Atlanta/USA
Chairperson of the BOD of Shanghai Sto Ltd., Shanghai/China
Chairperson of the BOD of Sto Scandinavia AB, Linköping/Sweden
Chairperson of the BOD of Sto Danmark A/S, Hvidovre/Denmark
Chairperson of the BOD of Sto Yapı Sistemleri Sanayi ve Ticaret A.Ş., Istanbul/Türkiye
Member of the BOD of Sto Norge AS, Langhus/Norway
Member of the BOD of Sto Finexter OY, Vantaa/Finland
Member of the BOD of Sto SEA Pte. Ltd., Singapore/Singapore

Michael Keller
Chief Sales Officer, responsible for Sales Sto Brand Germany, Distribution, Marketing Communications, Sustainability, and Central Services
Bonndorf, Ing.-Päd. (TU),
Member of the Administrative Board of Beissier S.A.U., Errenteria/Spain

Jan Nissen
Chief Technical Officer, responsible for Process Engineering, Innovation, Materials Management, and Logistics
Bad Dürrheim/Germany, Bachelor of Science
Deputy Chairperson of the Advisory of Inotec GmbH, Waldshut-Tiengen/Germany
Member of the BOD of Shanghai Sto Ltd., Shanghai/China
Member of the BOD of Sto SEA Pte. Ltd., Singapore/Singapore

Rolf Wöhrle
Chief Financial Officer, responsible for Finance, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service
Bad Dürrheim/Germany, Dipl.-Betriebswirt (BA)

Members of the Supervisory Board of Sto SE & Co. KGaA in the financial year of 2022:
* Employee representatives

Peter Zürn
Member of the Supervisory Board since 27 June 2007
Chairperson of the Supervisory Board since 22 June 2022
Chairperson of the Nomination Committee since 22 June 2022
Bretzfeld-Weißlensburg/Germany
Kaufmann (merchant)
Member of the Supervisory Board of STO Management SE, Stühlingen/Germany
Member of the Administrative Board of PERI SE, Weißenhorn/Germany

Niels Markmann *
Member of the Supervisory Board since 24 April 2020
Deputy Chairperson of the Supervisory Board since 22 June 2022
Member of the Finance Committee since 22 June 2022
Velbert/Germany
Chairperson of the General Works Council and Chairperson of the Works Council for the North-West sales region, Sto SE & Co. KGaA

Maria H. Andersson
Member of the Supervisory Board since 14 June 2017
Chairperson of the Finance Committee
Member of the Audit Committee until 22 June 2022
Munich/Germany
Family Officer/Single Family Office, Munich/Germany
Partner at Mackewicz & Partner Investment Advisers, Munich/Germany
Managing director of GIWA Verwaltungs GmbH, Munich/Germany
Managing director of GIWA Immobilien GmbH, Munich/Germany
Managing director of VAKO Logistik GmbH, Sonnenbühl/Germany
Member of the Supervisory Board of STO Management SE, Stühlingen/Germany
Member of the Advisory Board of Matador Partners Group AG, Sarnen/Switzerland

Thade Bredtmann *
Member of the Supervisory Board since 22 June 2022
Member of the Audit Committee since 22 June 2022
Pfalzgrafenweiler/Germany
Vice President Human Resources Sto Group

Klaus Dallwitz *
Member of the Supervisory Board since 22 June 2022
Maintal/Germany
Order Acceptance and Route Scheduling Administrator, Maintal SalesCentre, Sto SE & Co. KGaA

Catharina van Delden
Member of the Supervisory Board since 22 June 2022
Munich/Germany
Entrepreneur
Member of the Supervisory Board of EQS Group AG, Munich/Germany
Member of the Advisory Board of innosabi GmbH, Munich/Germany
Member of the Advisory Board of Süd Deutsche Bank, Munich/Germany

Wolfgang Dell*
Member of the Supervisory Board from 1 March 2011 until 22 June 2022
Deputy Chairperson of the Supervisory Board until 22 June 2022
Member of the Audit Committee until 22 June 2022
Hattersheim/Germany
Administrator Maintenance Plant Technology, Sto SE & Co. KGaA

Petra Hartwig*
Member of the Supervisory Board since 22 June 2022
Bad Zwesten/Germany
Trade Union Secretary of IG BCE, District manager for the district of Freiburg/Germany
Member of the Supervisory Board of Takeda GmbH, Singen/Germany

Frank Heßler*
Member of the Supervisory Board since 14 June 2017
Mannheim/Germany
Political Trade Union Secretary
Deputy regional manager of IG BCE of the regional district of Baden-Württemberg

Barbara Meister*
Member of the Supervisory Board since 1 June 2010
Member of the Finance Committee
Member of the Audit Committee
Blumberg/Germany
Chairperson of the Stühlingen Works Council, Sto SE & Co. KGaA

Dr Renate Neumann-Schäfer
Member of the Supervisory Board since 14 June 2017
Chairperson of the Audit Committee
Member of the Finance Committee until 22 June 2022
Überlingen/Germany
Corporate consultant, economist
Member of the Supervisory Board of STO Management SE, Stühlingen/Germany
Deputy Chairperson of the Supervisory Board of Goldhofer Aktiengesellschaft, Memmingen/Germany
Deputy Chairperson of the Foundation Council of Samariter Stiftung, Nürtingen/Germany
Member of the Supervisory Board of R. Stahl Aktiengesellschaft, Waldenburg/Germany
Member of the Administrative Council of Samariter GmbH, Nürtingen/Germany
Member of the Foundation Council of Stiftung Zeit für Menschen, Nürtingen/Germany

Cornelia Reinecke
Member of the Supervisory Board from 14 June 2017 until 22 June 2022
Member of the Nomination Committee until 22 June 2022
Emmendingen/Germany
Head of Human Resources and Member of the Management Board of Sick AG, Waldkirch/Germany

Roland Schey*
Member of the Supervisory Board from 14 June 2017 until 22 June 2022
Member of the Finance Committee until 22 June 2022
Tengen/Germany
Head of Finance and Accounting Sto Group

Prof. Dr Klaus Peter Sedlbauer
Member of the Supervisory Board since 27 June 2007
Member of the Nomination Committee
Rottach-Egern/Germany
Chairholder at the Institute of Building Physics of the Technical University Munich/Germany
Member of the Advisory Board of agn Niederberghaus + Partner GmbH, Ibbenbüren/Germany

Martina Seth*
Member of the Supervisory Board from 14 June 2017 until 22 June 2022
Bad Münder/Germany
Head of the Wilhelm-Gefeller Education and Conference Centre of the IG BCE, Bad Münder/Germany

Kirsten Stotmeister
Member of the Supervisory Board since 22 June 2022
Member of the Audit Committee since 22 June 2022
Member of the Finance Committee since 22 June 2022
Member of the Nomination Committee since 22 June 2022
Waldshut-Tiengen/Germany
Family Office Head of Finances/Treasury at OTS Vermögens-verwaltungs GmbH, Stühlingen/Germany

Dr Max-Burkhard Zwosta
Member of the Supervisory Board from 27 October 2005 until 22 June 2022
Chairperson of the Supervisory Board until 22 June 2022
Chairperson of the Nomination Committee until 22 June 2022
Wittnau/Germany
Chartered Accountant and Tax Consultant
Member of the Supervisory Board of STO Management SE, Stühlingen/Germany, until 22 June 2022
Chairperson of the Advisory Board of Brauerei Ganter GmbH & Co. KG, Freiburg i.Br./Germany
Chairperson of the Supervisory Board of Ganter Grundstücks GmbH, Freiburg i.Br./Germany
Chairperson of the Advisory Board of Ganter Real Estate Nr.1 GmbH & Co. KG, Freiburg i.Br./Germany
Chairperson of the Advisory Board of alfer aluminium Gesellschaft mbH, Wutöschingen/Germany
Chairperson of the Advisory Board of Walter Maisch Familien Holding GmbH & Co. KG, Gaggenau/Germany
Member of the Supervisory Board of Testo SE & Co. KGaA, Titisee-Neustadt/Germany
Member of the Supervisory Board of Testo Management SE, Titisee-Neustadt/Germany
Chairperson of the Associate Advisory Board of EGT AG, Triberg/Germany
Chairperson of the Advisory Board of Löwenbrauerei Freiburg GmbH, Freiburg i.Br./Germany

Members of the Supervisory Board of STO Management SE in the 2022 financial year (personally liable partner of Sto SE & Co. KGaA):

Jochen Stotmeister
Chairperson of the Supervisory Board
Grafenhausen/Germany

Peter Zürn
Deputy Chairperson of the Supervisory Board since 22 June 2022
Bretzfeld-Weißlensburg/Germany

Maria H. Andersson
Munich/Germany

Dr Renate Neumann-Schäfer
Überlingen/Germany

Gerd Stotmeister
Allensbach/Germany

Kirsten Stotmeister
Member of the Supervisory Board since 22 June 2022
Waldshut-Tiengen/Germany

Dr Max-Burkhard Zwosta
Member of the Supervisory Board until 22 June 2022
Deputy Chairperson of the Supervisory Board until 22 June 2022
Wittnau/Germany

Stühlingen/Germany, 3 April 2023

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

Rainer Hüttenberger
(Spokesman)

Michael Keller

Jan Nissen

Rolf Wöhrle

Independent Auditor's Report

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

To Sto SE & Co. KGaA, Stühlingen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Sto SE & Co. KGaA, Stühlingen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Sto SE & Co. KGaA for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the section "Statement on the effectiveness of the internal control system and risk management system" of the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the above-mentioned section of the Group management report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Impairment of goodwill
❷ Completeness and valuation of provisions for warranty obligations arising from sales

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ Impairment of goodwill

① Goodwill amounting in total to EUR 39.1 million is reported under the "Intangible assets" balance sheet item in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for the realisation of impairment losses. The impairment test is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The valuation is normally based on the present value of future cash flows from the respective cash-generating units, which, with three exceptions, correspond to the legal units. Present values are calculated using discounted cash flow models. For this purpose, the Group's 5-year plan forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating units. The impairment test determined that, even after taking into account the fair value less costs of disposal, it was necessary to recognise impairment losses amounting to a total of EUR 3.6 million.

The outcome of this valuation is dependent to a large extent on the estimates made by the legal representatives with respect to the future cashflows from the respective cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, with the assistance of internal valuation specialists we assessed, the methodology used for the purposes of performing the impairment test, among other things. We reviewed the segregation between the cash-generating units. After matching the future cash flows used for the calculation against the 5-year plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the entity value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

Overall, the valuation parameters and assumptions used by the legal representatives are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on the impairment test and on goodwill are contained in section 6 "Presentation of the major accounting and valuation policies", subsections "Intangible assets" and "Estimates and assumptions by Management", in the section "Notes on the consolidated statement of the financial position", subsection 13 "Intangible assets" and in the section "Notes on the statement of profit and loss", subsection 8 "Depreciation/amortisation" of the notes to the consolidated financial statements.
The Company's disclosures on the impairment test and on goodwill are contained in section 6 "Presentation of the major accounting and valuation policies", subsections "Intangible assets" and "Estimates and assumptions by Management", in the section "Notes on the consolidated statement of the financial position", subsection 13 "Intangible assets" and in the section "Notes on the statement of profit and loss", subsection 8 "Depreciation/amortisation" of the notes to the consolidated financial statements.

❷ Completeness and measurement of provisions for warranty obligations arising from sales

① In the Sto Group's consolidated financial statements, the balance sheet items "Other non-current provisions" and "Other current provisions" include provisions for warranty obligations arising from sales totaling EUR 36.7 million. These obligations essentially relate to warranty obligations arising in connection with the sale of products. Warranty obligations are calculated on the basis of losses to date, estimated future losses and on the basis of past experience. In addition, assumptions must be made about the nature and extent of future warranty claims. These assumptions are based on qualified estimates, some of which are taken into account by external experts. This applies above all to the most significant warranty claim, for which an amount of EUR 11.6 million is included in the reported warranty provisions. This is offset by insurance reimbursement claims totaling EUR 4.2 million contained in "Current other assets".
We consider this matter to be of particular significance in the context of our audit since the recognition and valuation of this item – which is material in terms of amount – is to a large extent based on estimates and assumptions made by the Company's legal representatives.

② With the knowledge that estimated values result in an increased risk of accounting misstatements and that the valuation decisions made by the legal representatives have a direct and significant effect on consolidated net profit/loss, we assessed the methods applied by the Company and the assumptions made by the legal representatives as well as the appropriateness of the carrying amounts, including by comparing these figures with historical data

and using the measurement bases presented to us. We evaluated the design and effectiveness of the controls established by the Company for the purpose of calculating and recording warranty provisions. On that basis, we carried out additional analytical audit procedures and tests of details relating to the completeness and valuation of the warranty provisions. In this regard, we have performed tests of details in relation to the most significant warranty claim included in the warranty provisions. Among other things, we also reconciled the data on which the calculation of the settlement amount was based with the underlying documentation. Therewith, we assessed the results of the Company's calculations of the amount of the reserves with reference to the applicable legal requirements.

We were able to satisfy ourselves that the estimates and assumptions of the legal representatives on the basis of which a warranty obligation provision arising in connection with the sales business were recognised and measured were sufficiently documented and substantiated.

③ The Company's disclosures on the provisions for warranty obligations from the sales business are included in section 6 "Presentation of the major accounting and valuation policies", subsections "Other provisions" and "Estimates and assumptions by Management", and in the section "Notes on the consolidated statement of the financial position", subsection 25 "Other non-current and current provisions" of the notes to the consolidated financial statements.

Other Information

The legal representatives are responsible for the other information. The other information comprises the non-audited section "Statement on the effectiveness of the internal control system and risk management system" of the Group management report:
The other information comprises furthermore

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole

provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the electronic file STO_SE_KA+KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Legal Representatives and the Supervisory Board for the ESEF Documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the Group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the legal representatives of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on 22 June 2022. We were engaged by the supervisory board on 28 November 2022. We have been the Group auditor of the Sto SE & Co. KGaA, Stühlingen, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Kai Mauden.

Stuttgart, 12 April 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Kai Mauden)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. Marco Fortenbacher)
Wirtschaftsprüfer
(German Public Auditor)

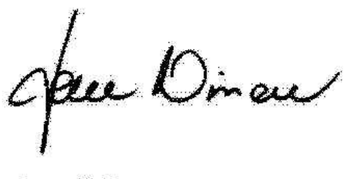
Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stühlingen/Germany, 3 April 2022

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

Rainer Hüttenberger
(Spokesman)



Jan Nissen

Michael Keller

Rolf Wöhrle

Financial calendar 2023

Electronic publication of the 2022 annual financial statements
27 April 2023

Interim report within the first half of 2023
10 May 2023

Annual General Meeting 2023
21 June 2023

Report on the first half of 2023
31 August 2023

Interim report within the second half of 2023
20 November 2023

Electronic publication of the 2023 annual financial statements
29 April 2024

The annual financial statement of Sto SE & Co. KGaA (German Commercial Code, HGB) are available in electronic form at www.unternehmensregister.de. In addition, it is published on the website www.sto.de or may be requested in writing by post:

Sto SE & Co. KGaA
F-S department
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This report contains forward-looking statements which are based on Management's current assumptions and estimates concerning future developments. Such statements are subject to risks and uncertainties which Sto cannot control or estimate precisely. If any uncertainty arises or the assumptions on which these statements are based prove to be incorrect, actual results may differ significantly from these statements. Sto is under no obligation to update forward-looking statements to incorporate any events which come to light after the publication of this report.

Publisher's details

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