Building with conscience.

2023 Annual Report

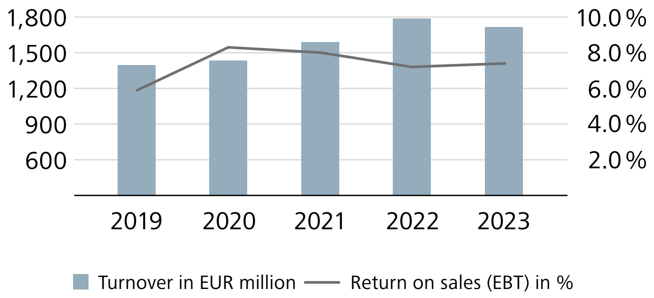
Sto SE & Co. KGaA

Sto at a glance

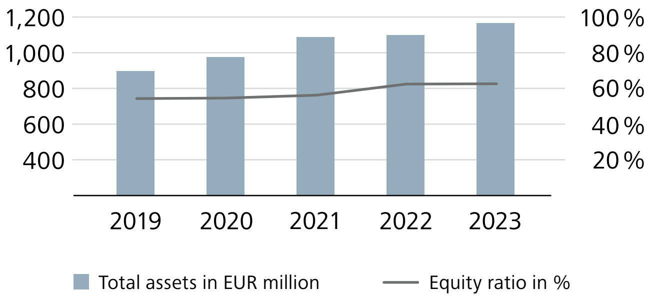
Sto Group	2019	2020	2021	2022	2023	Changes in % 23/22
Turnover	1,398.2	1,433.0	1,590.5	1,787.4	1,718.0	−3.9
Germany	611.3	660.1	692.5	761.8	716.1	−6.0
Outside of Germany	786.9	772.9	898.0	1,025.6	1,001.9	−2.3
Investments (without: financial assets and IFRS 16)	35.3	41.7	41.9	47.4	46.6	−1.7
Depreciation/amortisation (without: financial assets and IFRS 16)	33.2	45.5	46.9	42.0	41.7	−0.7
EBITDA	138.2	186.5	192.5	194.5	192.3	−1.1
EBIT	85.9	120.8	124.5	129.7	126.5	−2.5
EBT	83.1	119.0	127.9	128.3	127.4	−0.7
Return on sales (EBT) (%)	5.9	8.3	8.0	7.2	7.4	
EAT	56.3	80.7	94.7	89.1	85.8	−3.7
Earnings per limited ordinary share (EUR)	9.03	12.54	14.40	14.00	13.37	−4.5
Earnings per limited preference share (EUR)	9.09	12.60	14.46	14.06	13.43	−4.5
Cash flow from operating activities	117.0	177.2	111.4	95.3	170.9	79.3
per share (EUR)	18.21	27.58	17.34	14.83	26.60	79.3
ROCE (%)*	14.0	19.7	18.9	17.3	17.1	
Total assets	896.1	973.8	1,084.7	1,097.7	1,164.8	6.1
Equity	486.5	531.4	610.0	685.1	729.3	6.5
in % of total assets	54.3	54.6	56.2	62.4	62.6	
Employees (year end)	5,533	5,545	5,697	5,735	5,783	0.8
of which in Germany	2,943	3,000	3,127	3,130	3,171	1.3
of which outside of Germany	2,590	2,545	2,570	2,605	2,612	0.3
Sto share						
Dividend per limited ordinary share (EUR)**	0.25/3.78	0.25/4.69	0.25/4.69	0.25/4.69	0.25/4.69	
Dividend per limited preference share (EUR)**	0.31/3.78	0.31/4.69	0.31/4.69	0.31/4.69	0.31/4.69	
Price-to-earnings ratio (31 Dec)	12.5	10.3	15.3	10.7	10.4	
Price-to-book ratio (31 Dec)	1.5	1.6	2.3	1.4	1.2	

(Figures in EUR million unless otherwise indicated)

Development of P&L data



Development of balance sheet data



* 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

** 2023: 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.

Contents

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

About the title image:
The library building of the Karl Franzens University of Graz was extended in several construction stages. A two-storey, modern structure, which towers over the forecourt in a sweeping gesture, complements the historic ensemble of buildings. The architectural firm Atelier Thomas Pucher designed its highly energy-efficient envelope with a rainscreen cladding facade (StoVentec) with modelled render surfaces (StoMiral MP) and glass panels (StoVentec Glass). The underside of the cantilever was designed by Viennese artist Anna Artake with a sgraffito showing an enlarged copperplate engraving of a 17th century book illustration.
Photo: Christian Schellander, AT

Foreword

Rainer Hüttenberger,
Chief Executive Officer of
STO Management SE
Photo: Martin Baitinger,
Böblingen/Germany

Dear Shareholders,
Sto once again performed well in the year under review. Although the environment was anything but favourable, we were able to achieve our turnover and earnings targets for 2023 and – subject to the approval of the Annual General Meeting – will once again distribute an attractive dividend. First and foremost, I would like to thank our employees who have made this success possible.

However – and this should not be concealed – our expectations in terms of turnover development were higher at the beginning of the year. We had originally forecast EUR 1.91 billion, adjusted this figure downwards to EUR 1.76 billion in August and then again to EUR 1.71 billion in November. With consolidated turnover of EUR 1.72 billion, we achieved this forecast almost exactly, but suffered a decline of 3.9 % compared to the previous year. We are very pleased to report that we did not have to revise our earnings forecast and, with a consolidated EBIT of EUR 126.5 million, were exactly within the range we had announced in April 2023. This success is due to consistent internal cost management as well as the partial easing in the area of procurement and the sales price increases that we had to implement in response to the drastic increase in costs in recent years. Our joy was dampened by the fact that the potential offered by our markets could not be fully exploited in 2023. What were the reasons for this and the main influences in 2023?

The first point to mention here is the weather. 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. It is not only harsh winters and cold weather that hinder work on construction sites, but also prolonged periods of rain and heat. In the Western European Markets, especially in Germany, we had it all in 2023: a very cold start to the year, heavy rainfall in May and June, a hot summer that lasted into September and relatively heavy snowfall at the end of November and beginning of December. In between, there was only little time to make up for the resulting shortfalls.

So climate change is making itself felt, and this brings me to the second point that slowed down the exploitation of our opportunities in 2023: a great deal of uncertainty in the German construction industry. In particular, the hesitant, uncoordinated and sometimes even obstructive behaviour of political decision-makers has led to investors investing much less. If nobody knows how insulation or the installation of a heat pump will be subsidised in the future, building owners will simply wait and see. This is all the more regrettable as the building sector plays a very important role when it comes to climate protection: it accounts for over a third of total energy consumption and around 40 % of CO_2 emissions in Germany. Improving energy efficiency in buildings would therefore be an effective way of protecting the climate – and saving money at the same time, as energy prices are still 40 % higher than before the outbreak of the Russia-Ukraine conflict, according to a survey from February 2024.

The EU has recognised that the fight against climate change must be tackled vigorously and that clear targets must be defined in order to achieve climate neutrality by 2050. There are new plans for the construction sector in Europe: at the end of 2023, after a long dispute, the Commission, Council and EU Parliament reached a compromise on the Energy Performance of Buildings Directive and defined specific savings targets for the first time: primary energy consumption in the EU's building stock is to be reduced by 16 % by 2030 and by 20 to 22 % by 2035. However, the obligation to refurbish buildings has been softened. In contrast to the original proposal, there will be no minimum efficiency standards for residential buildings. There is therefore a consensus to stop climate change, but it has not been clearly defined how this is to be achieved. The responsibility for implementation lies solely with the member states.

In Germany, there are ambitious plans, but there are also many uncertainties. In many areas, things have moved forwards and unfortunately also backwards in the past year. Decisions made, for example at the construction summit in September 2023, were not implemented and funding programmes for new buildings or conversions of heating systems were abruptly stopped. In addition, many measures planned as part of the economic stimulus package were put on hold as a result of the budget squabbles. The German EWIS market and the construction industry as a whole therefore suffered significant losses in 2023.

Effective impetus and, above all, reliable general conditions are therefore urgently needed and an effective means of stimulating investment. In recent years, countries such as France and Italy have impressively demonstrated that a clear subsidy system can very effectively incentivise people to upgrade existing buildings to a higher standard of efficiency. This shows that we are not incapable of acting, we just have to take the right steps.

Another slowing factor is the global political and macroeconomic situation. Following the enormous challenges of recent years with the pandemic, supply bottlenecks, the Russia-Ukraine war and the resulting consequences, the Middle East conflict and the weakened economy in China, among other things, also had an impact on global economic development in 2023. The upcoming election in the USA could also complicate the overall situation.

The general conditions for our Company are therefore not getting any more favourable. We have therefore developed various scenarios internally at Sto in order to be able to react flexibly depending on the situation. In addition to the necessary caution and attention, we are, however, generally confident about the future, because the opportunities are there and the existing market potential is substantial.

First and foremost, we must do everything we can to stop climate change. If we take the reduction targets seriously, and we should, there is no way around the construction sector. The refurbishment of existing buildings is likely to become noticeably more important than new construction, which is why we are increasingly focussing on this market segment. According to industry experts, a renovation rate of at least 2 % is needed in Germany to achieve the climate targets for the construction sector in 2030. At the moment, this rate is not only much lower at 0.72%, it actually fell further in 2023. There is an urgent need for swift action, and Sto is well positioned to capitalise on this potential for sales.

We are building a bridge between the past and the future with our TOM (Target Operating Model) project. The focus is on the further optimisation of our processes, an even more intensive customer focus and preparations for the introduction of the ERP software SAP S/4HANA in the Sto Group.

In addition to the topic of sustainability, which we have made one of our core competences, digitisation plays a major role at Sto. It is driven by a large number of projects and affects all key processes – within the Company, with customers and with partners. The ultimate goal is to think in terms of processes throughout the Sto Group even more consistently than before, and then to optimise these digitally as far as possible. We also want to used artificial intelligence for Sto wherever it makes sense to do so.

One of the flagship projects is the Sto Klimaservice (Sto Climate Service). With this solution, existing facades can be captured within a few minutes using a mobile laser scanner and digitised as a 2D or 3D model. This offers major advantages, especially for refurbishment projects, for which there are often no as-built plans. Surface areas can be calculated precisely and the amount of material and costs can be calculated reliably. The digital models are also used by architects and our colleagues at StoDesign for for their the design work – for example as the basis for a detailed facade design.

In 2023, the team responsible for the Sto Klimaservice received the Fritz Stotmeister Award, which we started in memory of our Company founder and which was presented for the first time last year. The award recognises forward-looking concepts that demonstrate outstanding performance and support the implementation of the Sto Strategy. At the premiere, 53 teams from 19 Sto Group companies took part in the competition.

We started the 2024 financial year with the necessary caution and spending discipline, but also with a lot of optimism.

Assuming normal weather conditions, we expect to be able to increase the consolidated turnover slightly to EUR 1.79 billion despite major challenges. Earnings should remain roughly stable across the Group: we forecast EBIT and earnings before taxes (EBT) to be in the range of EUR 113 million to EUR 138 million, meaning that the return on sales should be between 6.3 % and 7.8 % in 2024.

What is the source of our optimism?
First of all, we have a fantastic team. Our employees are competent, highly motivated, take on responsibility and embrace change. They have shown that we can count on them in difficult times, and they are among the most important success factors of the Sto Group. We are optimistic that together we will be able to overcome the challenges ahead.

Another major advantage is our customer focus. We are a reliable and flexible partner to our customers, standing for expert advice, functional products and services, and perceptible sustainability. We are in very close contact with professional tradespeople, architects, planning offices and the property industry, particularly through our proven direct distribution system. This proximity often gives us a head start over the competition in the event of economic fluctuations. At the same time, our second sales channel, multi-level distribution via wholesalers and specialist retailers, allows us to address additional customer groups.

We also benefit from the fact that our Company has a broad base – not only in terms of customer groups, but also regionally. This means that we can generally compensate for fluctuations in individual market segments. In the coming years, we will look even further beyond Germany's borders and continue to expand our international network.

Our high-performance, sustainability-focussed product portfolio is extremely versatile, future-oriented and covers virtually all requirements that a construction project may have. We also take account of the increasingly important system concept, as the components of our product range are optimally harmonised and complement each other perfectly.

Sto is in a position to act well and successfully – we are convinced of that. We have solutions for the challenges of the market, were able to master the tasks in 2023 and will do everything in our power to continue our successful corporate development in 2024. We can build on an excellent Executive Board team, which was partially reorganised in 2023 after Chief Financial Officer Rolf Wöhrle terminated his contract on 31 December 2023 at his own request and on the best of terms. Our collaboration with him was characterised by appreciation, trust and humour, and his astute contributions have enriched our work. We would like to thank him for his services and sincerely wish him all the best for the future.

The Supervisory Board of STO Management SE appointed Désirée Konrad as his successor. Her Executive Board mandate began on 1 September 2023, initially as Deputy Chief Financial Officer, leaving four months for extensive onboarding. At the beginning of 2024, she took over the responsibilities of Rolf Wöhrle, which also marked the start of the generational change at Sto. I myself was appointed Chief Executive Officer at this time and Michael Keller was appointed Deputy Chief Executive Officer. This means that we are ready for the future with this new management body.

Thank you very much for placing your trust in Sto.

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

In the spirit of its guiding principle 'Building with conscience.' the Sto Group pursues the goal of developing environmentally friendly and resource-saving products. This goal was also implemented in the further development of the sustainable facade insulation system StoTherm AimS, which is now available in a mineral version. The system is based on a 100 per cent cement-free, patented bonding and reinforcing mortar.
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*
Gelsenkirchen/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

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

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

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

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

Petra Hartwig*
Bad Zwesten/Germany, Trade Union Secretary at IG BCE, District Manager for the district of Kassel, 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/Germany 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 since 14 June 2017

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

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

* Employee representatives

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

Dear Shareholders,
In the year under review, the Supervisory Board of Sto SE & Co. KGaA performed the duties incumbent upon it in accordance with the law, the Articles of Association, the Deutscher Corporate Governance Kodex (German Corporate Governance Code, DCGK), and the Internal Rules of Procedure with great care. 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 members of the Executive Board of STO Management SE 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 information on risks and monthly updates in between the regular meetings. The Supervisory Board discussed all relevant contents in both their meetings and their committees.

The focus of the Supervisory Board's work and consultations was on the current situation as well as the business development of the individual Company and the Sto Group, the business policy, planning including financial, investment and personnel planning, the income situation, the opportunities and risks, risk management, the compliance situation, and sustainability issues relating to the Sto Group and the 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 following matrix which shows the meetings of the Supervisory Board and its committees, and specifies the type of participation (virtual, or in person). Preliminary meetings of the shareholder and employee representatives were 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 2023 financial year, the Supervisory Board held five regular meetings: on 20 April, 27 July, 26 October and 14 December 2023 as well as before the Annual General Meeting on 21 June 2023. The Supervisory Board was quorate and able to pass resolutions at all times.

As part of a special organisational meeting on 26 January 2023, 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 26 January 2023 as well as in the meeting on 20 April 2023, the Supervisory Board undertook intensive training on current issues and requirements for Supervisory Board activities. This training was provided by internal and external advisors appointed by the Supervisory Board. The training courses, which were organised at the Company's expense, focused on current legal developments with regard to the requirements for Supervisory Board members, the Corporate Sustainability Reporting Directive and its connection with the sustainability strategy adopted by Sto. During its organisational meeting on 26 January 2023, the Supervisory Board visited the areas of logistics as well as the research and development at the company site in Stühlingen/Germany as part of an informational plant tour and discussion. During its regular Supervisory Board meeting on 27 July 2023, the Board members visited the production and operating facilities of the subsidiaries Verotec GmbH and Innolation GmbH at the site in Lauingen/Germany. During the tours, the strategy, product- and industry-specific topics were also discussed in this context.

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.

In accordance with the Supervisory Board's Internal Rules of Procedure, some members of the Supervisory Board attended the meetings virtually, particularly when attendance was not possible for precautionary reasons due to Covid-19 or other health or weather-related restrictions. The type of participation in each case can also be seen in the meeting matrix later in this document.

At all meetings in 2023, the Supervisory Board dealt intensively with the market situation and the current development of the Sto Group, Sto SE & Co. KGaA, the regional segments, and the associated Sto companies. The Company's strategy, opportunities and risks, personnel and financial matters, compliance issues, investments and Group planning were also discussed on an ongoing basis. Other dominant topics of the Supervisory Board's work in 2023, which the committees discussed intensively throughout the reporting period and debated possible measures, were the distortions and uncertainties on the international procurement and energy markets as well as the Russia-Ukraine conflict. The committee also dealt with the effects of high inflation and interest rate trends as well as the partially unclear subsidy policy in the German market with regard to the building sector and its consequences for the construction and real estate sector.

Outside of the meetings, the Supervisory Board was kept fully informed of the current status quo through reporting and risk updates in the form of regular interim reports. At the beginning of 2023, this still related to issues surrounding the coronavirus pandemic and, throughout the year, the Russia-Ukraine conflict and its direct and indirect consequences, particularly with regard to raw-materials and procurement issues, inflation and the changing interest rate environment, the resulting developments in the construction and property sector, 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.

The first ordinary meeting on 20 April 2023 also focused on discussing the Annual financial statement and the Management report of Sto SE & Co. KGaA, the consolidated financial statement of the Sto Group, and the Group management report as well as the Sustainability Report, each for the 2022 financial year. The details discussed in the Audit Committee were taken into account. The auditor reported on their audit at this Supervisory Board meeting and explained the focal 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 2022 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).

Following a thorough debate, the Supervisory Board also approved the report of the Supervisory Board on the 2022 financial year and the agenda for the Annual General Meeting on 21 June 2023, which was held in person for the first time since 2019. The Supervisory Board followed the personally liable partner STO Management SE's proposal for the appropriation of profits. In addition, the Supervisory Board submitted a nomination proposal to the Annual General Meeting regarding the appointment of an auditor for Sto SE & Co. KGaA (Annual financial statement and Consolidated annual financial statement of the Sto Group) for the 2023 financial year. The Supervisory Board acknowledged and approved the Sto Group's strategic planning, including the five-year plan for 2023 – 2027, which had been discussed in detail, taking into account the details examined in the Finance Committee. Other topics included key management measures and – as in each of the subsequent meetings in 2023 – projects to further optimise processes as part of the TOM (Target Operating Model) project as well as topics relating to the planned introduction of SAP S/4HANA in the Sto Group.

The preparatory Supervisory Board meeting on 21 June 2023 primarily concerned the Company's Annual General Meeting, taking place that same day in Donaueschingen/Germany.

The meeting on 27 July 2023, which was held at the offices of the subsidiaries in Lauingen/Germany as described above, focused on the course of business in the first half of 2023 as well as the year-end projections and current developments and challenges in the construction and real-estate industry. Other items on the agenda included risk inventory, the acquisition of the remaining shares in VIACOR Polymer GmbH, investment measures and issues relating to the IT strategy, AI at Sto, the further development of the IT infrastructure and associated investments.

On 26 October 2023, the Supervisory Board focused in particular on the projections for the 2023 financial year and the current course of business, especially in light of the tense situation in the construction industry in key markets. The Sto Group's supply chain network planning was also discussed. Moreover, the meeting focussed on aspects of sustainability reporting (including the EU Taxonomy) and an outlook on requirements and implementation issues relating to the Corporate Sustainability Reporting Directive (CSRD).

At the final Supervisory Board meeting held on 14 December 2023, the main items on the agenda were planning for the 2024 financial year for both Sto SE & Co. KGaA and the Sto Group, and assessing the 2023 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 2023 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). Furthermore, the Supervisory Board dealt in detail with the European Market Infrastructure Regulation (EMIR) audit and the corresponding certifications for the years 2020 to 2022. Moreover, sustainability issues and the resulting questions and developments in connection with the Company's sustainability strategy were discussed. Questions relating to SAP S/4HANA and AI at Sto as well as potential M&A projects were particularly examined.

Supervisory Board committees

In the 2023 financial year, the Supervisory Board of Sto SE & Co. KGaA formed a Nomination Committee, an Audit Committee, and a Finance Committee. For information on the committee appointments in the 2023 financial year, please refer to the introductory overview of the members of the Supervisory Board and the meeting matrix later in this document. 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 did not meet in the 2023 financial year.

The Audit Committee and the Finance Committee each held four meetings in the 2023 financial year. Major topics for the Audit Committee were the 2022 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 the current business development, the current projections for the year as a whole and the 2023 half-year report. Furthermore, the members of the Audit Committee discussed compliance management, the effectiveness of the Internal control and risk management system, internal auditing, sustainability issues, the EMIR audit for the years 2020 to 2022, the audit of the financial statements and the auditor's fees. 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 VIACOR Polymer GmbH and how Sto should proceed in regard to its business activities in Russia.

Overview of participation in the Supervisory Board meetings in 2023

Supervisory Board meetings: who/when	26 January 2023	20 April 2023	21 June 2023	27 July 2023	26 October 2023	14 December 2023
Zürn, Peter	√ (v)	√	√	√	√	√
Markmann, Niels	√	√	√	√	√	√
Andersson, Maria H.	√	√	√	√	√	√
Bredtmann, Thade	√	√	√	√	√	√
Dallwitz, Klaus	√	√	√	√	√	√
van Delden, Catharina	√ (v)	√	√	√	√	√ (v)
Hartwig, Petra	√	√			√	√
Heßler, Frank		√	√		√	√
Meister, Barbara		√	√	√	√ (v)	√ (v)
Dr Neumann-Schäfer, Renate	√	√	√	√	√	√
Prof. Dr Sedlbauer, Klaus Peter	√	√	√	√	√ (v)	√ (v)
Dr Stotmeister, Kirsten	√	√	√	√	√	√ (v)

(v) virtual

Overview of participation in committee meetings in 2023

Committee meetings (Audit Committee (A) / Finance Committee (F) / Nomination Committee (N)): Who/when	19 April 2023 A / F	26 July 2023 A / F	25 October 2023 A / F	13 December 2023 A / F
Zürn, Peter (N)	√ (A+F)	√ (A+F)	√ (A+F)	√ (A+F)
Markmann, Niels (F)	√	√	√	√
Andersson, Maria H. (F)	√	√	√	√
Bredtmann, Thade (A)	√	√		√
Meister, Barbara (A/F)	√ (A+F)	√ (A+F)	√ (A+F)	√ (A+F)
Dr Neumann-Schäfer, Renate (A)	√	√	√	√
Prof. Dr Sedlbauer, Klaus Peter (N)				
Dr Stotmeister, Kirsten (A/F/N)	√ (A+F)	√ (A+F)	√ (A+F)	√ (A+F)

Mr Zürn sat in as guests at A and F meetings for informational purposes.

In view of the particular challenges, the Chairperson of the Supervisory Board attended the meetings of the Audit Committee, the Finance Committee, and the full Supervisory Board in the 2023 financial year in consultation with each of 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 Deutsche Corporate Governance Kodex (German Corporate Governance Code) in its 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 2023 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 2023 Annual Report.

Audit of the annual financial statement
On 21 June 2023, 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 2023 financial year. It audited the Annual financial statement of Sto SE & Co. KGaA, prepared by the Executive Board of the personally liable partner STO Management SE, the Management report, the Consolidated annual financial statement of the Sto Group, the Group management report for the 2023 financial year, 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, or the IFRSs respectively, 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 present 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 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 17 April 2024. 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 18 April 2024, 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 2023 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 2023 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 19 June 2024, the Supervisory Board will hence propose the approval of the Annual financial statement of Sto SE & Co. KGaA for the 2023 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 of the Company on 19 June 2024. 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
There were no changes of personnel on the Supervisory Board or in the make-up of committees in the 2023 financial year. The composition of the Supervisory Board and its committees can be viewed in the meeting matrix and introductory overview.

On behalf of the entire Supervisory Board, I would like to expressly thank the employees of Sto SE & Co. KGaA and the members of the Executive Board of the personally liable partner STO Management SE for their great commitment and dedication in the 2023 financial year. We would like to wish the entire team every success in their upcoming tasks and in mastering the resulting challenges; and, above all, we wish them good health.

Stühlingen/Germany, 18 April 2024

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

The Supervisory Board of Sto SE & Co. KGaA (from left): Barbara Meister, Maria H. Andersson, Niels Markmann, Dr 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 Sto share

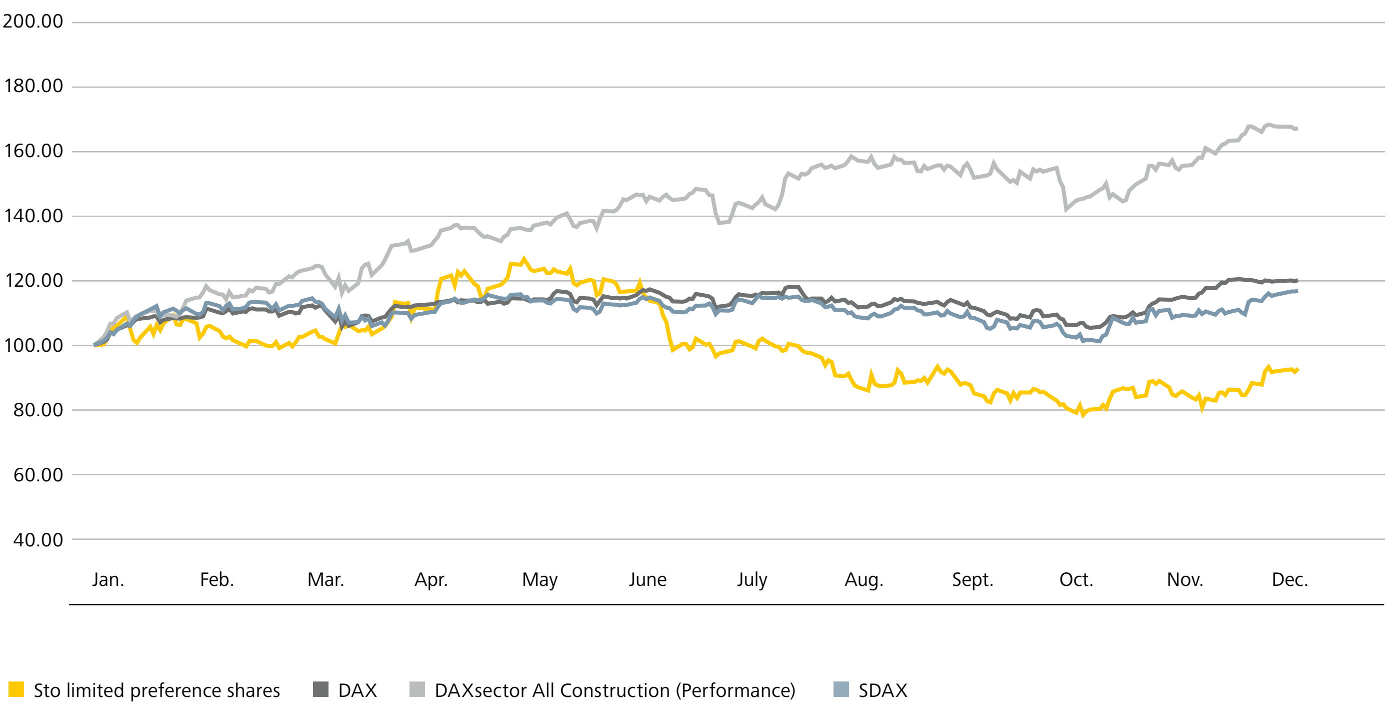
Sto limited preference share data

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

2023 on the share markets
The year 2023 has shown that stock market performance does not always correlate with macroeconomic performance: despite the numerous negative factors such as high inflation, rising key interest rates and ongoing geopolitical conflicts, which left a clear mark on the global economy, most international share markets made strong gains year on year. Despite the major uncertainties, they had a surprisingly positive start to the year before facing declines in the summer and autumn months. As a result of a pronounced year-end rally that had begun at the end of October, major indices such as the European Euro Stoxx 50 (+19.5 %) and the S&P 500 (+24.7 %) in the USA closed with double-digit profits. Only the Chinese stock exchanges recorded noticeable losses compared to the end of the previous year.

The DAX, Germany's leading index, gained 20.3 % year-on-year after reaching a new all-time high in December. Small-cap stocks also performed well in 2023: the SDAX ended the year up 17.1 %. The Construction sector index of the Frankfurt Stock Exchange, which tracks German construction stocks, even rose by 67.3 % year on year.

Share price trend 01 Jan 2023 – 31 Dec 2023
(indexed on 30 December 2022 = 100), Frankfurt stock exchange, XETRA



Share price of the Sto share below previous year

The Sto share suffered losses for the year as a whole. After rising in line with the market as a whole in the first four months, it reached its high for the year of EUR 190.60 at the beginning of May, before subsequently declining significantly. The lowest price of the year was recorded on 25 October 2023 at EUR 118.20, before stabilising somewhat in the last two months. As at the end of 2023, a preference share was listed at EUR 139.80 in XETRA, the electronic system of the Frankfurt Stock Exchange. Compared to the 2022 closing price of EUR 150.40, this corresponded to a decline of 7.0 %.
The market capitalisation of around 2.538 million Sto limited preference shares decreased from EUR 381.7 million to EUR 354.8 million as at the end of the year under review.

Consolidated earnings

Thanks to strict cost management and supported by the noticeable easing in many areas of the procurement markets, the gross margin rate in the Sto Group increased from 50.7 % to 53.9 % in 2023. In addition, the sales price increases with which Sto has responded to the drastic increase in procurement prices in recent years contributed to the improvement in the gross margin rate, although this was still below the level prior to 2021. Consolidated EBIT decreased by 2.5 % to EUR 126.5 million in 2023 (previous year: EUR 129.7 million), while EAT fell by 3.7 % to EUR 85.8 million (previous year: EUR 89.1 million).

Diluted and basic earnings were EUR 13.43 per limited preference share (previous year: EUR 14.06) and EUR 13.37 per limited ordinary share (previous year: EUR 14.00).

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 91.8 million (previous year: EUR 87.6 million) and a net profit for the year of EUR 69.5 million (previous year: EUR 62.0 million) in 2023.

At the Annual General Meeting on 19 June 2024, 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 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 69.8 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 2023 closing price of EUR 139.80, this results in a dividend yield of 3.6 % per limited preference share.

Sto limited preference share key figures

	2023	2022
Earnings per preference share	13.43	14.06
Cash flow from operating activities	26.60	14.83
Equity	113.49	106.61
Dividend payout per limited preference share Dividend Bonus*	 0.31 + 4.69	 0.31 +4.69
Share price at year end**	139.80	150.40
Year high**	190.60	252.00
Year low**	118.20	116.60
PER (31 Dec)	10.41	10.70
PER (high)	14.19	17.92
PER (low)	8.80	8.29
Capitalisation of preference shares on 31 Dec (in EUR millions)	354.8	381.7

Values per share in EUR

* 2023: proposal by the personally liable partner STO Management SE and the Supervisory Board
** XETRA closing price

Trading volume in 2023

During the 2023 financial year, a total of 691,499 Sto SE & Co. KGaA limited preference shares were traded in the XETRA electronic system of the Frankfurt Stock Exchange, compared with 1,809,698 shares in the previous year.

Shareholder structure

As at 31 December 2023, 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 2023 financial year
(personally liable partner of Sto SE & Co. KGaA)

Rainer Hüttenberger
Stein am Rhein/Switzerland, Spokesman of the Executive Board (since 1 January 2024: Chief Executive Officer), 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

Michael Keller
Bonndorf/Germany, Member of the Executive Board (since 1 January 2024: Deputy Chief Executive Officer), responsible for Sales Sto Brand Germany, Distribution, Marketing Communications, Sustainability, and Central Services, Member of the Executive Board since 1 July 2015

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

Rolf Wöhrle
Bad Dürrheim/Germany, Chief Financial Officer (until 31 December 2023), responsible for Finances, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service, Member of the Executive Board since 1 September 2010

Désirée Konrad
Horb am Neckar, Deputy Chief Financial Officer (1 September 2023 – 31 December 2023, Chief Financial Officer since 1 January 2024), responsible for Finance, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service, Member of the Executive Board since 1 September 2023

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

The 2023 financial year at a glance

- The Sto Group achieves forecast turnover and earnings targets for 2023 in a difficult market environment
- Decline in consolidated turnover of 3.9 % to EUR 1,718.0 million primarily due to negative weather conditions and increasing uncertainty among investors
- Gross profit margin improves from 50.7 % to 53.9 %
- Group EBIT decreases by 2.5 % to EUR 126.5 million and EBT by 0.7 % to EUR 127.4 million
- Increase in EBT return on sales from 7.2 % to 7.4 %
- Cash flow from operating activities amounts to EUR 170.9 million (previous year: EUR 95.3 million)
- Group workforce increases slightly by 48 to 5,783 employees as at the reference date
- Outlook for 2024: Sto expects a Group turnover of EUR 1.79 billion and EBIT of between EUR 113 million and EUR 138 million

A. Group fundamentals

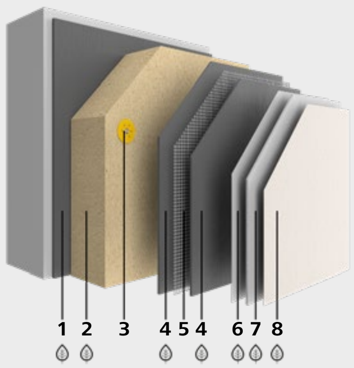
Business model
The Sto Group is a major international manufacturer of products and systems for building coatings. The basis of the business model is a high level of expertise, quality, and customer benefits.

The product range is divided into four product groups: the core business of **facade systems** comprises a wide range of external wall insulation systems (EWIS), in which Sto holds a leading position, and ventilated rainscreen cladding systems (RSC). The product group, which accounted for 47.6 % of consolidated turnover in 2023, makes a significant contribution to the energy efficiency of buildings and therefore to sustainability. The product group of **facade coatings**, which contributed 22.9 % to consolidated turnover in the year under review, includes render and paint systems for exteriors. 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, and which accounts for a share in turnover of 15.0 %. In addition, Sto produces and sells high-quality floor coatings, products for concrete repair and further items which are allocated to **Other product groups**. They accounted for 14.5 % of consolidated turnover in the past year.

The individual components of the product range are perfectly matched to each other. 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. This **combined expertise** is one of the main factors behind the success of the Sto Group and preserves the value of buildings in the long term. In addition, the system concept increases application efficiency and at the same time allows building owners maximum individual design freedom.

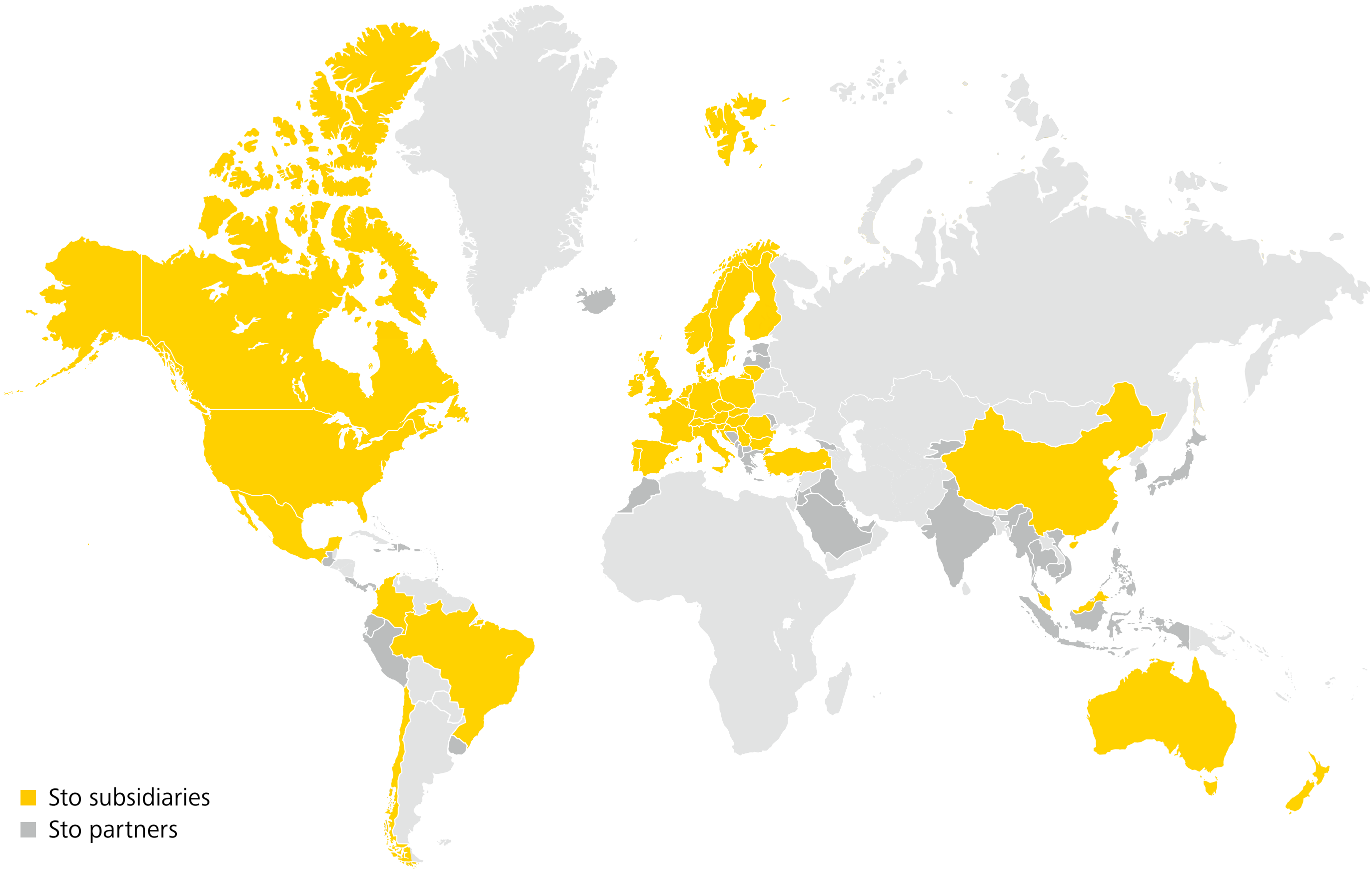
StoTherm AimS® with StoLevell Neo AimS®

The highly ecological StoTherm AimS external wall insulation system is now also available in a mineral version. The system is based on a 100 per cent cement-free, patented bonding and reinforcing mortar. In its production, StoLevell Neo AimS causes around 50 per cent less CO_2 than a standard lime-cement reinforcing mortar for EWIS. Among other things, it can be combined with a soft wood fibre board, whose CO_2 balance is even negative.



Graphic: Sto SE & Co. KGaA

1 — Bonding
StoLevell Neo AimS®
2 — Insulation
Sto-Soft Fibre Board M 039
3 — Fixing
Sto-Thermo Anchor II UEZ 8/60
4 — Base coat
StoLevell Neo AimS®
5 — Reinforcement
Sto-Glass Fibre Mesh
6 — Intermediate coat:
StoPrep Miral AimS®
7 — Finish
Stolit AimS®
8 — 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 brand presence.

The Company's **capacity for innovation** plays a vital role in the positive profile of the brand and the progress of the Sto Group. To secure the position we are seeking to uphold as a technology leader and tap into new growth areas, we engage in comprehensive research and development activities. This direction is evident in our corporate vision: 'Technology leader in the sustainable design of living space tailored to human needs. Worldwide.' Based on a survey conducted by the University of St. Gallen and German business magazine 'Wirtschafts-Woche'[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. It functions as the Group's holding company and is 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**. Group management is primarily aligned to these segments.

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. The marketing and sales targets are coordinated with the respective subsidiaries in order to take into account specific, sometimes significantly differing requirements in the individual markets and to address the needs in the regions in a targeted manner.

The subsidiaries and product groups are supported by central units such as Technical Service or Strategic Marketing. In this

[1] Published in the magazine 'WirtschaftsWoche', special issue no. 1, of 6 November 2023.

way, Sto creates the right conditions for efficient, global management and the targeted further development of the service portfolio while at the same being highly adaptive to market requirements.

Sales markets
The most important sales region for the Sto Group is the segment of **Western Europe** (including Germany). In 2023, 78.5 % of consolidated turnover was generated through this segment. Germany – the most significant individual market – accounted for 41.7 %. In the year under review, a 9.6 % share of turnover was recorded for **Northern/Eastern Europe** and a share of 11.9 % for **America/Asia/Pacific**.

One of Sto's strategic growth initiatives is systematically developing and penetrating new markets. By stepping up the internationalisation of our business activities, we can seize existing sales opportunities worldwide while spreading the entrepreneurial risk. As at the end of 2023, the Sto Group was represented in 36 countries with 49 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 for the Sto Group depends on the characteristics specific to each country and varies from region to region.

Customers and distribution system
The product range of the 'sto' brand is mainly distributed via **direct distribution** with its own permanent employees. This system, which covers almost all of Germany, is aimed at professional customers such as painters, plasterers, and building contractors. Architects, planning offices, and the real estate industry are also served directly by the company.

At the same time, Sto has been setting up a **multi-stage distribution** system via wholesalers and specialist retailers for several years in order to tap into 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 is responsible for managing the business of Sto SE & Co. KGaA and the Sto Group. It is represented by its Executive Board which develops the Group's strategy and ensures that it is put into practice. 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 in the Sto Group are: **net turnover**, **EBIT**, **EBT**, and **return on sales**. Additionally, **ROCE** is used for monitoring return on capital employed. It is based on the EBIT divided by the average capital employed.[2]

The reports compiled under this system are submitted to the Executive Board of STO Management SE, which then forwards the relevant information to Sto's Supervisory Board. Furthermore, regular management meetings are held between the Executive Board of the personally liable partner and the executive staff in charge of the Sto SE & Co. KGaA subsidiaries or the sales regions.
This system underlines the decentralised entrepreneurial responsibility of our employees at a local level while also guaranteeing a high degree of transparency within the Sto 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 be viewed online at www.sto.de by going to the 'Investor Relations' Section and then to the 'Nachhaltigkeit & CSR' (Sustainability & CSR) category.

With our sustainability strategy, we pursue a holistic approach that extends to all areas of influence within the Group and is implemented at all stages of the value chain. Our sustainability activities are based on a materiality assessment in which we have analysed the positive and negative effects of our business activities on the economy, the environment and people, as well as on the Sto Group itself. Key topics were identified from the results and the sustainability measures were aligned with the United Nations' 17 Sustainable Development Goals (SDGs). This resulted in six goals for sustainable development within the Sto Group:

[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

- Climate change mitigation
- Environmental protection
- Circular economy
- Health and well-being
- Transparency and social responsibility
- Employees

The Sto Group's Sustainability Report provides information on key activities in these fields as well as the legally required disclosures in accordance with the EU Taxonomy Regulation. The explanations on these topics and the reference to the reportable aspects of Environmental matters, Employee matters, Social matters, Respect for human rights, and Combating corruption and bribery in accordance with DRS 20 can be found in the 2023 Sustainability Report on pages 83 to 87, column CSR Directive Implementation Act.

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. 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. Our corporate vision is as follows: 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.

Sto's vision and other principles on which our practice is based are defined in the Guiding Principles, which provide guidance for all strategic and operational decisions. The principles defined in the Guiding Principles determine the objectives 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 Sto Group.

We achieve these goals through three key areas:

- **Accelerating growth,**
- **increasing profit,**
- **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.

In particular, the current topic of sustainability is to be developed into a core competence of the Sto Group. All of the activities listed in our Sustainability Report work towards this goal.

B. Financial report

General statement on business development in 2023 and comparison with the forecast

The Sto Group's business development in 2023 was heavily influenced by unfavourable weather conditions. While the first few months had been characterised by frosty temperatures, May and June saw a period of frequent and heavy rainfall, particularly in Europe. In the summer months, there were pronounced periods of heat in several of our key markets, and at the end of the year the application of Sto products in the exterior was hampered by heavy snowfall, particularly in the most important sales region of Western Europe.

This was exacerbated by special factors in the construction industry. In particular, the unclear framework and subsidy conditions for building owners in Germany and the uncoordinated approach of politicians have significantly heightened uncertainty among private and institutional investors. This has led to considerable declines in new residential construction in particular – despite the high demand for housing, which continues to increase. The difficult macroeconomic situation, geopolitical conflicts, historically high construction costs and poorer financing conditions also slowed investment. The renovation market segment, which is important for Sto, developed slightly better than new construction, but suffered enormously from the lack of clarity regarding subsidy programmes, particularly in the German market. The existing market potential resulting solely from the stipulated climate targets has by no means been fully utilised. On the contrary, the EWIS market in Germany recorded significant declines.

In the Sto Group, turnover in 2023 decreased by 3.9 % as compared to the previous year to EUR 1.72 billion (previous year: EUR 1.79 billion) and was thus marginally above the forecast of EUR 1.71 billion, which had been adjusted in November (original forecast April 2023: EUR 1.91 billion; adjusted forecast August 2023: EUR 1.76 billion). A negative effect of a total of EUR 16.4 million arose from currency translations in 2023. Adjusted for this, turnover in national currencies fell by 3.0 %.

The gross margin rate in the Sto Group increased from 50.7 % to 53.9 %, but was still below the level prior to 2021. In addition to the easing in many areas of the procurement market, the improvement in 2023 was primarily due to more stable supply chains and falling prices in some cases, strict cost management, and the subsequent effects of the sales price increases with which Sto has responded to the drastic increase in procurement prices since 2021. Consolidated EBIT decreased by 2.5 % to EUR 126.5 million in 2023 (previous year: EUR 129.7 million) and fell within our forecast range of between EUR 118 million and EUR 143 million. EBT fell by only 0.7 % to EUR 127.4 million (previous year: EUR 128.3 million; forecast: between EUR 117 million and EUR 142 million) due to the improved net financial income/expense, while the resulting return on sales rose from 7.2 % in the previous year to 7.4 % (forecast: between 6.1 % and 7.5 %). At 17.1 %, the ROCE figure was also within the expected range (previous year: 17.3 %; forecast: between 14.8 % and 18.0 %).

The Sto Group's financial situation and assets and liabilities situation gained further strength in 2023. The equity ratio increased slightly to 62.6 % (31 December 2022: 62.4 %), while cash and cash equivalents increased to EUR 122.3 million (31 December 2022: EUR 119.4 million). Taking borrowings into account, net financial assets rose to EUR 119.7 million as at the 2023 year end (31 December 2022: EUR 114.4 million). Cash flow from operating activities stood at EUR 170.9 million (previous year: EUR 95.3 million).

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 2023

Despite numerous geopolitical conflicts, high price levels and the restrictive policies of many reserve banks, the global economy proved to be more resilient in 2023 than expected in autumn. In January 2024, the International Monetary Fund (IMF) raised its October estimate for global economic growth in 2023 by 0.1 percentage points and now expects an increase of 3.1 % (previous year: 3.5 %). The IMF cited the surprisingly robust economic development in the USA and some other countries as one of the reasons for the better-than-expected development. It was also noticeable that global inflation fell faster than predicted and that China made a greater contribution to global economic growth than expected.

The industrialised nations recorded an overall increase of 1.6 % in 2023 (previous year: 2.6 %) and the developing and emerging countries recorded an unchanged increase of 4.1 % compared to 2022. According to projections, the USA increased its gross domestic product (GDP) by 2.5 % (previous year: 1.9 %) and China by 5.2 % (previous year: 3.0 %). In contrast, the economy in the eurozone was characterised by consumer and investment restraint as well as high energy prices and only expanded by 0.5 % (previous year: 3.4 %). The 2.4 % increase in Spain (previous year: 5.8 %) was one of the main drivers here, while growth in France totalled 0.8 % (previous year: 2.5 %) and in Italy 0.7 % (previous year: 3.7 %).

The German economy performed particularly weakly in 2023: according to the Federal Statistical Office (Destatis), gross domestic product shrank by 0.3 % on a price-adjusted basis, after increasing by 1.8 % in the previous year. The energy crisis and geopolitical tensions in particular have unsettled producers, investors, and consumers in Germany. In addition, the slowdown in global trade, continued high prices at all levels of the economy despite recent declines, and unfavourable financing conditions due to rising interest rates had a negative impact on the German economy. Energy prices, which had risen sharply in 2022 as a result of the Russia-Ukraine conflict, stabilised at a high level and had a particularly negative impact on energy-intensive industries in the year under review.

International trends for the construction sector
According to the Federal Statistical Office, incoming orders in real terms (price-adjusted) in the **main construction sector in Germany** fell by 4.4 % in 2023 compared to the previous year. In nominal terms, they were 3.3 % higher than the comparable level due to the sharp rise in construction prices in the first half of the year. While civil engineering recorded slight growth, incoming orders in real terms (price-adjusted) in building construction fell by a total of 11.4 % (nominally: -5.0 %). Destatis reported the largest losses in residential construction with a minus in real terms of 19.8 % (nominally: -13.4 %). Turnover in real terms in the main construction sector in Germany fell by 3.3 % compared to 2022, while nominal turnover grew by 3.5 %. In addition to the high prices, the noticeable rise in interest rates also had an impact, slowing down residential construction in particular: the number of building permits fell by 26.6 % compared to the same period of the previous year. According to Destatis, the construction of new single-family homes fell by 39.1 %, while the number of two-family homes almost halved. In the segment of multi-family dwellings – the building type with the largest number of flats in Germany overall – 25.1 % fewer permits were issued than in the previous year.

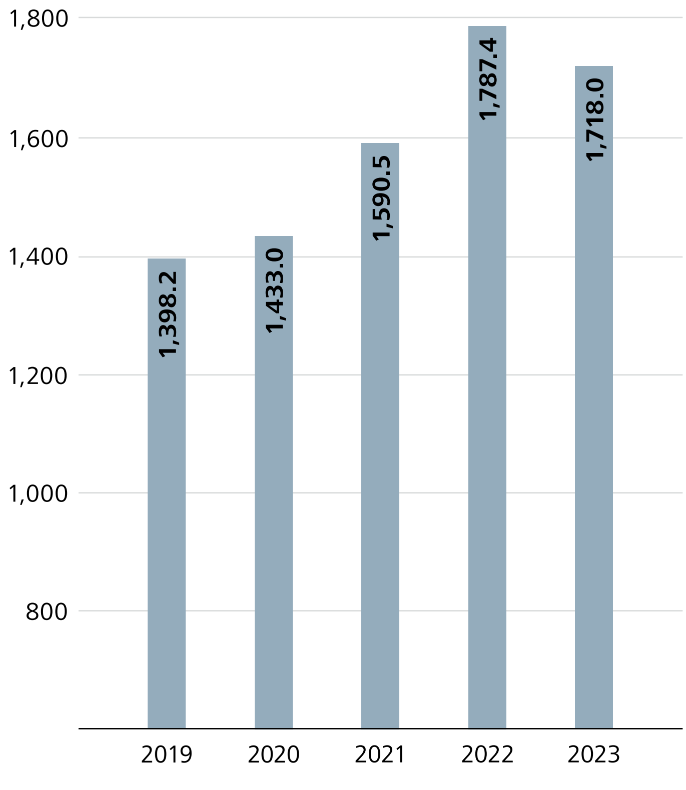
According to preliminary calculations by the Association of the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (Association of the German Paint and Printing Ink Industry), sales volumes in the sub-segment of architectural coatings fell by 4 % in 2023. While the professional market in Germany declined significantly by 5.5 %, the DIY market, in which the 'sto' brand is not positioned, recovered slightly and grew by just under 1 %. Demand in the EWIS market fell significantly in 2023: according to the market research institute B+L Marktdaten GmbH, sales in Germany fell by 15.3 %, following a reduction of 0.8 % in the previous year.

According to the Euroconstruct 2023 network, construction output in **Europe** has fallen slightly: according to projections from December 2023, experts are forecasting a decline of 1.7 %. Most of the 19 national markets in the network were held back by the sharp rise in interest rates and construction prices, persistently high inflation, the loss of purchasing power among private households, weaker economic growth, the tight situation in public budgets and falling property prices. According to Eurostat calculations, EU-wide production in the construction industry increased by 0.3 % in the first quarter compared to the same period of the previous year, fell slightly by 0.2 % in the following three months and recorded an increase of 0.4 % in the third quarter. A minus of 0.5 % was recorded in October and of 2.1 % in November.

According to the GTAI (Germany Trade & Invest), the **US construction sector** has bottomed out: after a significant decline in residential construction activity until mid-2023, mainly due to the sharp rise in interest rates, it then recovered steadily. At the end of the year, the signs were even pointing to growth again after the US Federal Reserve announced that it would start cutting rates in 2024. Extrapolated for the year as a whole, however, the management consultancy and investment bank FMI is still forecasting a decline in residential construction. Investments in building construction as a whole are likely to have fallen by 2 % in 2023. Growth is expected in the commercial sector, which, together with the infrastructure sector, benefited from government economic stimulus programmes.

According to the National Bureau of Statistics, the **Chinese** economy grew by 5.2 % in 2023 despite the ongoing property crisis, slightly exceeding the government's target of 5 %. At the same time, this increase is one of the lowest in the last 30 years. The economy was burdened above all by weak domestic consumption and the declining construction industry, which has been the most important growth driver of the Chinese economy in recent years and contributed around a quarter of the country's economic output. Since several large property developers have been struggling with payment difficulties and high levels of debt, the number of construction projects started has fallen significantly.

Sto Group turnover
in EUR million



Income situation

In the 2023 financial year, the Sto Group generated a turnover of EUR 1,718.0 million (previous year: EUR 1,787.4 million). Compared to the previous year, this corresponds to a decrease of 3.9 %, which was partly due to negative currency translation effects totalling EUR 16.4 million in net terms. Compared to the previous year, the Turkish lira, the US dollar, the Swedish krona and the Norwegian krone particularly decreased in value. The Swiss franc, among others, developed favourably. Adjusted for all currency translation effects, the Sto Group's turnover fell by 3.0 %.

Segments

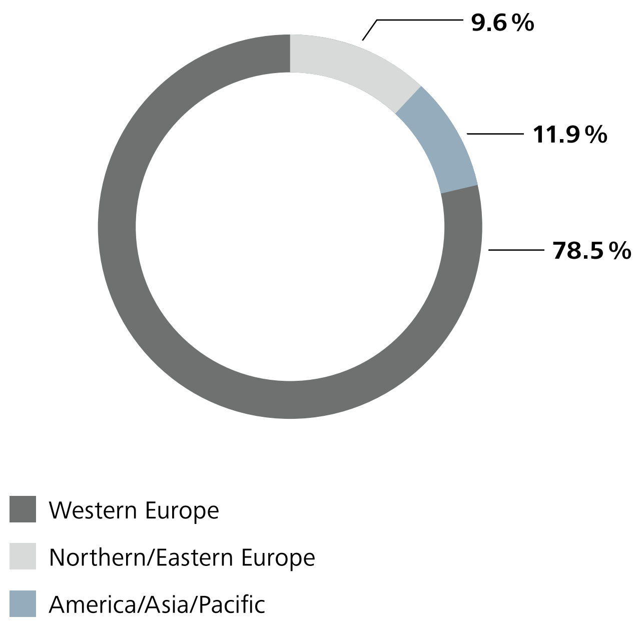
In the segment of **Western Europe** – including Germany – turnover fell by a total of 4.0 % year on year to EUR 1,348.4 million (previous year: EUR 1,405.3 million), which was primarily due to the unfavourable weather in most regions and the resulting reduction in activities in the exterior. There were also special effects in some countries. In Germany, for example, the uncertainty among investors due to the unclear framework conditions had a particularly strong impact, while in Italy demand was curbed by the restriction of state subsidy programmes for energy-efficient building refurbishment, which had been very successful in recent years. The subsidiary in France, on the other hand, benefited from ongoing government programmes and showed almost stable development. In local currencies, the segment of Western Europe recorded a decline of 4.2 %.

Turnover in the segment of **Northern/Eastern Europe** decreased by a total of 7.4 % to EUR 164.7 million (previous year: EUR 177.8 million), which was due to weather conditions as well as a significant negative currency translation effect. Adjusted for this, there was a primary decline of 1.2 % in the segment. In Norway in particular, business activities were slowed by a slump in new construction activity.

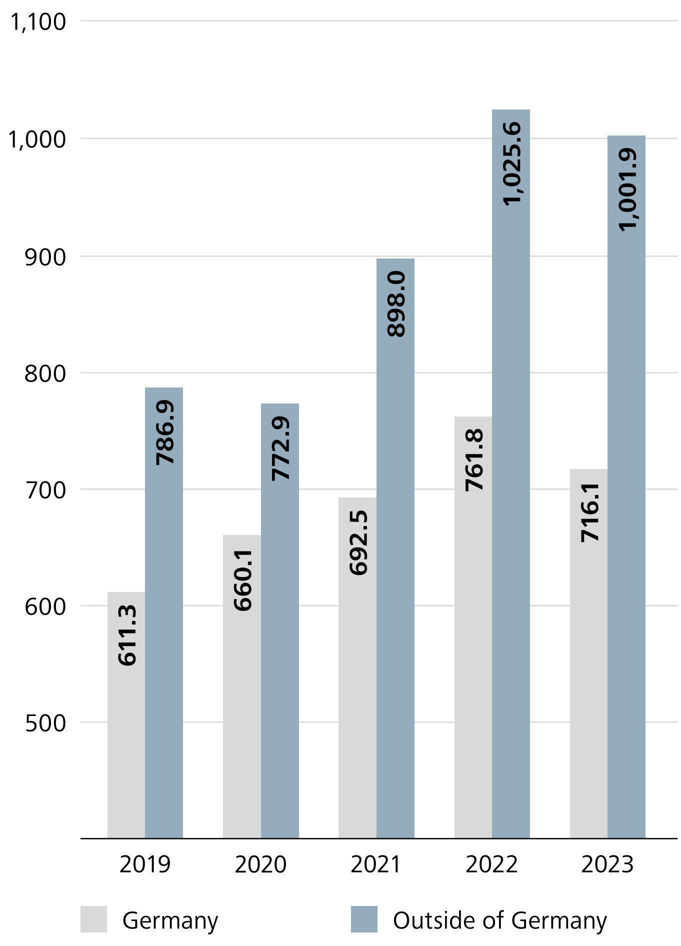
There was an opposing trend within the segment of **America/Asia/Pacific**. The companies in America, for example, achieved growth without exception despite the negative development of the dollar, while the volume of business in Asia fell considerably. In China in particular, the market continued to be under pressure, and turnover at the Chinese Sto company remained well below the already low volume of the previous year, which had been affected by the coronavirus pandemic. In net terms, segment turnover increased slightly by 0.3 % to EUR 204.9 million (previous year: EUR 204.3 million); excluding currency translation effects, this corresponds to a plus of 4.0 %.

The Sto Group's total **turnover generated outside of Germany** decreased by 2.3 % to EUR 1,001.9 million in 2023 (previous year: EUR 1,025.6 million). Adjusted for currency translation effects, the decline amounted to 0.7 %. Turnover in **Germany** was significantly lower than in the previous year, falling by 6.0 % to EUR 716.1 million (previous year:

Sto Group segment turnover
in %



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



EUR 761.8 million) as a result of the difficult conditions. Compared to 2022, the share of Sto Group turnover generated outside of Germany increased from 57.4 % to 58.3 %.

Product groups

In the product group of **facade systems,** which contributed 47.6 % to the Group volume in the year under review, the Sto Group achieved a turnover of EUR 816.8 million in 2023 (previous year: EUR 856.2 million) and thus remained 4.6 % below the previous year**.** In Germany in particular, our activities were restricted due to the unfavourable weather conditions, and the difficult environment in the construction industry also had a negative impact on the market as a whole – meaning that we suffered significant losses in the largest sub-segment of external wall insulation systems in particular. In contrast, individual companies outside of Germany were able to benefit from government subsidy programmes.

Turnover generated through **facade coatings** fell only slightly by 1.9 % to EUR 394.3 million in 2023 (previous year: EUR 402.1 million), although work on construction sites was also hampered by the weather. This product area accounted for 22.9 % of the total Group volume.

In 2023, 15.0 % of the total volume was attributable to turnover through **interior products**, which at EUR 257.7 million was only marginally down 0.5 % on the previous year (previous year: EUR 258.9 million). Interior coatings in particular developed positively with turnover totalling EUR 227.2 million (previous year: EUR 226.0 million).

The **other product groups**, which accounted for 14.5 % of the total Group volume, recorded a drop of 7.8 % to EUR 249.2 million (previous year: EUR 270.2 million). Demand fell particularly sharply in the sub-segment of industrial flooring, which was affected by the weak economic development in various sectors such as the automotive industry. The sub-segment of concrete repair was slightly below the previous year's level.

Development of earnings

While prices in the energy sector and for energy-intensive products such as cement and mineral wool insulation remained high in 2023, prices for various materials eased in the second half of the year. We also countered the high pressure on earnings in recent years with consistent cost management and benefited from sales price increases in response to the drastic increase in material prices that had started in 2021. In total, the **material costs** incurred by the Sto Group decreased by 10.9 % to EUR 788.2 million (previous year: EUR 884.8 million), partly as a result of the lower total revenues, which fell from EUR 1,793.2 million to EUR 1,711.5 million. The **gross margin rate** improved to 53.9 % (previous year: 50.7 %), but was still below the level in the years prior to 2021.

Personnel expenses increased by 2.0 % to EUR 436.7 million in the year under review (previous year: EUR 428.2 million). This was due to the expansion of the workforce and collective bargaining effects.

The balance of **other operating income and expenses** stood at EUR -292.9 million after EUR -281.3 million the previous year. Other operating expenses increased by 3.4 % to EUR 320.9 million (previous year: EUR 310.2 million). In particular, costs for maintenance measures, expenses for software rental licences as well as advertising, travel and catering expenses increased, while turnover-related costs such as outbound freight and expenses due to changes in exchange rates decreased. Other operating income decreased by 3.0 % to EUR 28.0 million (previous year: EUR 28.9 million). Among other things, lower income from exchange rate fluctuations had a diminishing effect here. When netted against each other, the positive and negative changes in exchange rates virtually cancelled one another out.

EBITDA in the Sto Group decreased by 1.1 % to EUR 192.3 million (previous year: EUR 194.5 million). Following deduction of depreciation/amortisation of Intangible fixed assets, Property, plant, and equipment, and Rights of use – which increased from EUR 64.8 million to EUR 65.8 million – **EBIT** amounted to EUR 126.5 million (previous year: EUR 129.7 million).

EBIT decreased from EUR 113.9 million to EUR 108.5 million in the segment of **Western Europe** and from EUR 13.0 million to EUR 10.7 million in the segment of **Northern/Eastern Europe**. By contrast, EBIT in the segment of **America/Asia/Pacific** improved significantly from EUR 3.0 million to EUR 6.5 million.

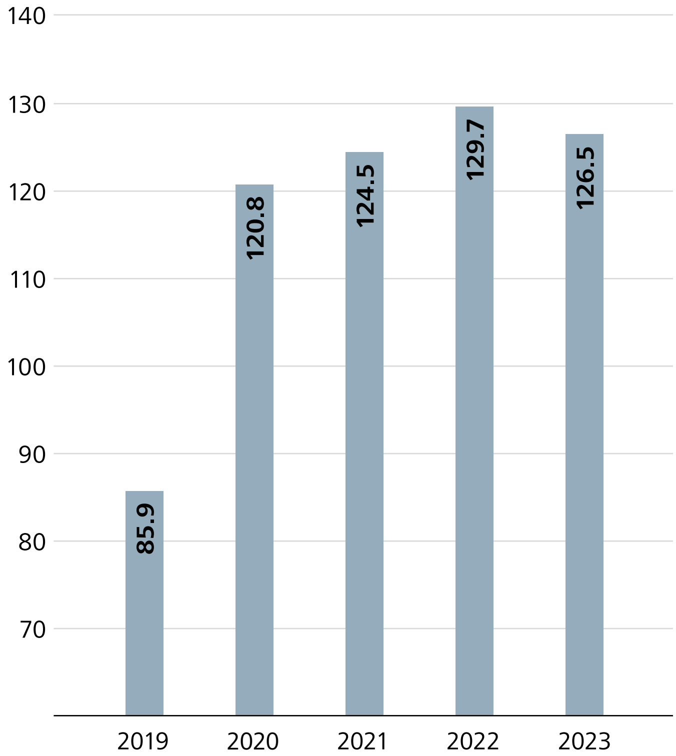
As a result of the significantly more favourable market interest rates, we were able to achieve positive **net financial income/expense** in the Group in 2023: it amounted to EUR 0.9 million after EUR -1.4 million in the previous year. Interest income increased from EUR 1.6 million to EUR 7.6 million and interest expenses from EUR 3.4 million to EUR 6.9 million.

EBT in the Group fell accordingly by 0.7 % to EUR 127.4 million (previous year: EUR 128.3 million), while the resulting return on sales improved from 7.2 % to 7.4 %. At 32.7 %, the tax rate in 2023 was above the previous year's level (previous year: 30.6 %), mainly due to the effect of not recognising deferred income tax assets. Compared to the previous year, **EAT** decreased by 3.7 % to EUR 85.8 million in 2023 (previous year: EUR 89.1 million).

Diluted and basic earnings were EUR 13.43 per limited preference share (previous year: EUR 14.06) and EUR 13.37 per limited ordinary share (previous year: EUR 14.00).

As at the reference date of 31 December 2023, the **ROCE** (return on capital employed) figure for the Sto Group stood at 17.1 % (31 December 2022: 17.3 %). The lower EBIT was

Sto Group EBIT
in EUR million



contrasted by an improvement in capital employed. This was mainly due to the reduction in inventories, which had been significantly increased in the previous year in order to maintain the ability to supply customers in the face of supply bottlenecks.

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 91.8 million (previous year: EUR 87.6 million) and the net profit for the year increased to EUR 69.5 million (previous year: EUR 62.0 million). The financial situation and assets and liabilities situation of Sto SE & Co. KGaA remained very solid, with an equity ratio of 67.8 % (previous year: 67.9 %).

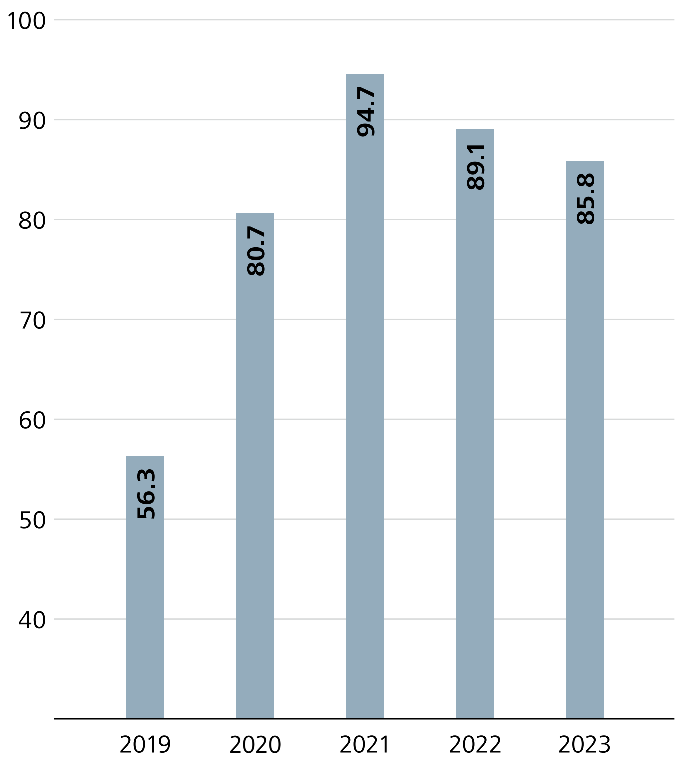
At the Annual General Meeting on 19 June 2024, the personally liable partner STO Management SE will propose via its Executive Board to keep the dividend payout at the same level as the previous year. This payout amount of EUR 31,896,720.00 is to be taken from the net income of Sto SE & Co. KGaA which is calculated in accordance with the German Commercial Code (HGB) and comes to EUR 69.8 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.

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 Sto Group. The aims here are to maintain liquidity, to optimise finance expenses and income, and to minimise currency and interest risks. We use a wide range of financial instruments in order to ensure as little dependence as possible on individual markets and methods of financing. When working with banks, we primarily seek out those that enjoy good credit ratings and are able to build long-term business relationships characterised by mutual trust.

We endeavour to achieve a balanced ratio between equity and borrowed capital, thereby creating an appropriate scope for financing with a high degree 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 126.2 million (previous year: EUR 130.3 million). The majority comes from a syndicated loan agreement with a total volume of EUR 100 million, which had originally been agreed to run until April 2027 with two one-year extension options. In the meantime, the first extension option has been utilised, meaning that the term is currently agreed until April 2028. The loan interest margin may decrease or increase depending on whether key performance indicators (KPIs) are achieved. One measure each from the areas

Sto Group EAT
in EUR million



of environmental protection and corporate governance were agreed 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 defined 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 of the Sto Group 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 at the best possible conditions, always following the Sto Group's principle of 'security takes precedence over returns'. The subsidiaries also have access to short- and long-term loans from the parent company, particularly for investments.

The central **treasury** department is responsible for ensuring solvency. It ensures that the necessary financial resources for internal and external financing as well as the financial risks resulting from international business are recorded. This approach takes into account the increasing internationalisation of business activities and the increasing risk management requirements that come with it.

At the 2023 year-end, the present value of Sto Group disbursements due from leasing contracts in the future stood at EUR 101.0 million (31 December 2022: EUR 80.5 million).

Development of liquidity in 2023
In the year under review, **cash flow from operating activities** within the Sto Group increased from EUR 95.3 million to EUR 170.9 million. This was due in particular to the lower level of funds tied up in current assets, which fell by EUR 17.0 million in 2023, mainly due to the reduction in inventories, following an increase of EUR 34.5 million in the previous year. Income tax payments fell from EUR 53.0 million in the previous year to EUR 38.1 million. Changes in provisions led to a cash outflow of EUR 0.4 million (previous year: EUR 10.2 million). Depreciation and amortisation of fixed assets amounted to EUR 65.8 million (previous year: EUR 64.8 million). The cash flow margin in relation to sales revenue amounted was 9.9 % (previous year: 5.3 %).

In 2023, **cash flow from investment activities** totalled EUR -103.8 million (previous year: EUR -42.6 million), with an outflow of EUR 46.6 million (previous year: EUR 47.4 million) for investments in Property, plant and equipment and Intangible assets, and an inflow of EUR 2.5 million (previous year: EUR 2.4 million) from the disposal of Intangible assets and Property, plant and equipment. Interest payments received increased from EUR 1.0 million to EUR 5.2 million as a result of the rise in market interest rates. In the area of financial investments, disbursements increased in comparison to the previous year from EUR 82.3 million to EUR 198.9 million, and deposits from EUR 83.7 million to EUR 133.4 million. Cash flow from investment activities adjusted for these deposits and disbursements amounted to EUR -38.3 million (previous year: EUR -43.9 million).

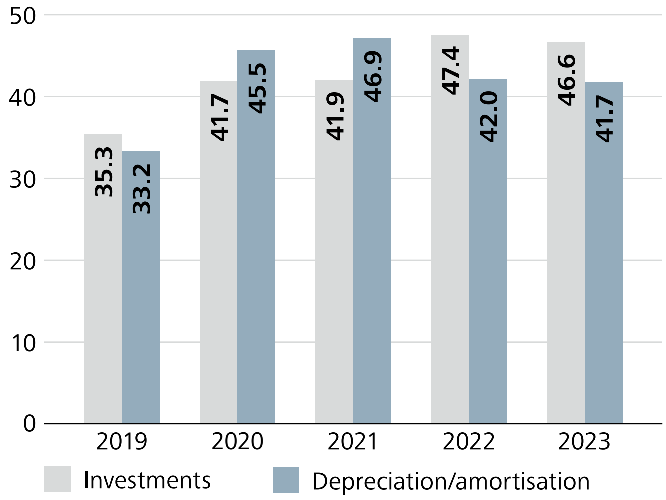
Sto Group statement of cash flows
in EUR K

	2023	2022
Cash flow		
from operating activities	170,918	95,306
from investment activities	-103,830	–42,553
from financing activities	-62,694	–71,851
Change in cash and cash equivalents from changes in exchange rates	-1,520	1,445
Change in cash and cash equivalents due to expected losses on cash and cash equivalents in accordance with IFRS 9	-19	–59
Cash and cash equivalents at the beginning of the period	**119,423**	**137,135**
Change in cash and cash equivalents	2,855	–17,712
Cash and cash equivalents at the end of the period	**122,278**	**119,423**

Cash flow from financing activities improved to EUR -62.7 million (previous year: EUR -71.9 million). Of this amount, EUR 31.9 million (previous year: EUR 31.9 million) was used for the dividend payout. Payments to minority shareholders in connection with the acquisition of the outstanding shares in VIACOR Polymer GmbH, Rottenburg am Neckar/Germany, totalled EUR 1.7 million. The previous year's value of EUR 10.7 million related to the acquisition of the remaining shares in Sto Italia Srl., Empoli/Italy in 2022. In the year under review, disbursements for the repayment portion of the lease liabilities amounted to EUR 23.4 million (previous year: EUR 22.5 million) and payments for current borrowings to EUR 1.1 million (previous year: EUR 4.2 million). Disbursements for non-current borrowings amounted to EUR 1.3 million (previous year: EUR 1.0 million). As in the previous year, there were no corresponding payments in either the current or non-current area. Interest payments increased from EUR 1.7 million in the previous year to EUR 3.4 million.

At the 2023 year end, the Sto Group's **financial resources** amounted to EUR 122.3 million (previous year: EUR 119.4 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 -1.5 million (previous year: EUR +1.4 million). As compared to the same day of the previous year, cash and cash equivalents increased by EUR 2.9 million (previous year: outflow of EUR 17.7 million).

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



Investments

In the year under review, Group-wide investments in Property, plant and equipment, as well as Intangible assets amounted to EUR 46.6 million (previous year: EUR 47.4 million). They thus remained slightly below the level of the last forecast of EUR 50 million, which was adjusted downwards in August 2023 due to postponements of major projects and earnings-securing measures (original forecast April 2023: EUR 71 million), and slightly below the previous year's level.

Investments in 2023 included the installation and commissioning of a second rotary kiln at our subsidiary Liaver GmbH & Co. KG in Ilmenau/Thuringia and the modernisation of production facilities as part of our ongoing 'Retrofit' programme. The programme comprises a bundle of long-term, continuous replacement and expansion investments at various Sto production locations, which will enable us to remain at the cutting edge of technology, drive forward the digitisation of processes, and thus maintain and expand the Sto Group's competitiveness.

As at 31 December 2023, acceptance obligations for items of Property, plant, and equipment were recorded in the amount of EUR 11.8 million (previous year: EUR 12.8 million). As in previous years, no investments in financial assets were made in the Sto Group.

In the year under review, across the Group as a whole, EUR 38.5 million of the total investment amount was allocated to the segment of Western Europe (previous year: EUR 39.7 million), EUR 2.1 million to the segment of Northern/Eastern Europe (previous year: EUR 1.8 million), and EUR 6.0 million to the segment of America/Asia/Pacific (previous year: EUR 5.9 million).

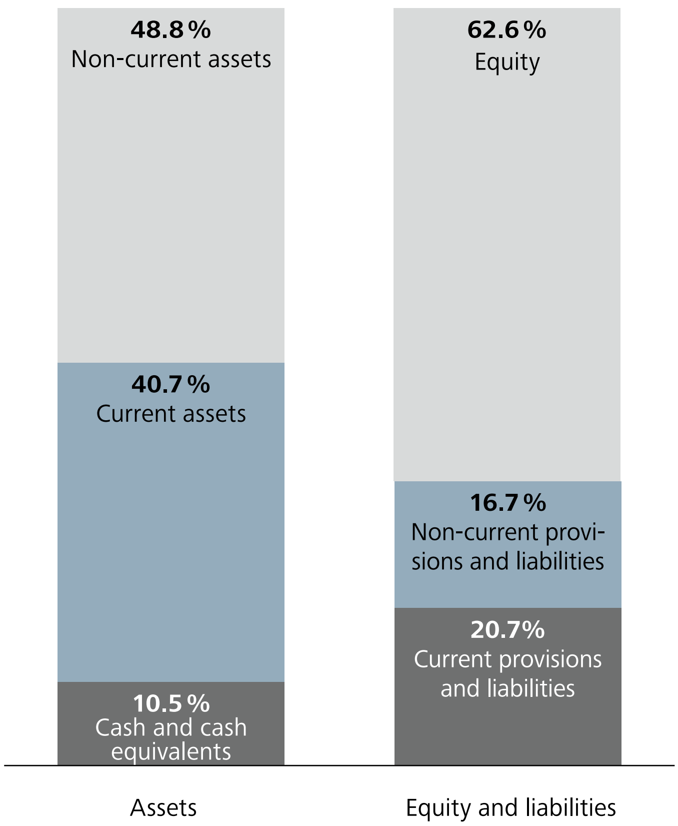
Assets and liabilities situation

The Sto Group recorded a rise in its balance sheet to EUR 1,164.8 million as at 31 December 2023 after EUR 1,097.7 million the same day of the previous year.

On the assets side, the increase was exclusively in **non-current assets**, which rose to EUR 568.1 million in total (31 December 2022: EUR 494.8 million). Within the fixed assets, which increased to EUR 457.2 million (31 December 2022: EUR 433.8 million), rights of use increased in particular. They totalled EUR 99.1 million after EUR 78.8 million on the same day of the previous year, primarily due to new rental agreements as well as contract and index adjustments. The Intangible assets item decreased slightly from EUR 56.7 million to EUR 54.0 million, while Property, plant, and equipment increased from EUR 296.0 million to EUR 301.7 million. Financial assets accounted for using the equity method were almost unchanged at EUR 2.4 million as at the reference date (31 December 2022: EUR 2.2 million).

At EUR 110.9 million, other non-current assets were significantly higher than the previous year's level of EUR 61.1 million. This reflected the optimisation of financial management and the associated increase in non-current other financial assets. This item, which increased from EUR 39.9 million to EUR 90.7 million, includes financial investments with a residual maturity of more than one year. Non-current trade receivables decreased from EUR 1.1 million to EUR 0.9 million.

Sto Group balance sheet structure
As at 31 Dec 2023



In 2023, **current assets** decreased slightly from EUR 602.9 million to EUR 596.7 million. Inventories fell significantly from EUR 179.2 million to EUR 161.3 million. Inventories, which had been significantly built up in the previous year due to the difficult procurement market situation in order to ensure Sto's ability to deliver, were actively reduced in 2023 as a result of the market situation easing. The lower procurement price level also had a diminishing effect on the valuation of inventories. Current trade receivables fell from EUR 171.4 million to EUR 166.1 million as a result of the business. The increase in current other financial assets from EUR 102.4 million to EUR 116.1 million resulted from optimisations in the context of financial management and the positive business development in 2023, as was the case in the non-current area. The cash and cash equivalents available to the Sto Group as at the end of 2023 increased to EUR 122.3 million (31 December 2022: EUR 119.4 million).

The **liabilities side** of the consolidated statement of financial position remained dominated by **equity**, which increased from EUR 685.1 million to EUR 729.3 million. The **equity ratio** improved slightly from 62.4 % on the same day of the previous year to 62.6 %.

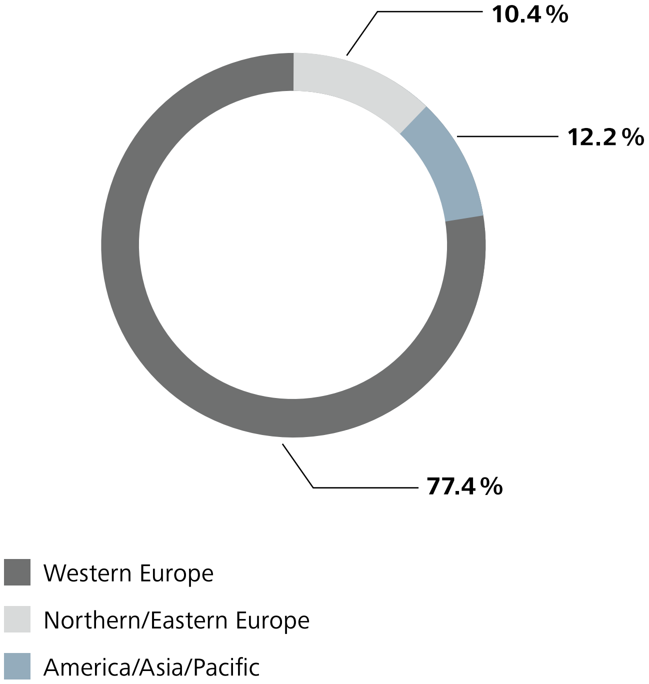
As at the end of 2023, **borrowed capital** totalled EUR 435.5 million (31 December 2022: EUR 412.6 million). The increase in **non-current provisions and liabilities** from EUR 165.7 million to EUR 194.7 million was primarily due to the higher recognition of pension provisions, which was mainly the result of lower long-term market interest rates. Year-on-year, this item increased by EUR 9.4 million to EUR 91.5 million (31 December 2022: EUR 82.1 million). In parallel to the item of Rights of use, non-current lease liabilities increased year on year: at the end of 2023, they totalled EUR 79.1 million after EUR 60.7 million in the previous year. Non-current borrowings were almost completely reclassified to current liabilities due to their maturities (31 December 2022: EUR 0.9 million).

Current provisions and liabilities decreased in total from EUR 246.9 million to EUR 240.8 million. At EUR 67.8 million, trade payables were slightly above the previous year's level of EUR 67.1 million, while current other liabilities fell from EUR 65.0 million to EUR 60.2 million, and current other financial liabilities from EUR 46.3 million to EUR 45.3 million. Current borrowings fell to EUR 2.6 million (31 December 2022: EUR 4.1 million), mainly as a result of repayments carried out as scheduled. Current other provisions of EUR 30.2 million (31 December 2022: EUR 33.1 million) included, in particular, provisions for warranty obligations in the sales area in connection with insurance refund claims. On the assets side, these have been allocated to current other assets. Current lease liabilities increased to EUR 21.9 million (31 December 2022: EUR 19.8 million) due to contract adjustments and new leases.

As at the end of 2023, total current and non-current financial borrowings decreased to EUR 2.6 million (31 December 2022: EUR 5.0 million). Taking into account cash and cash equivalents of EUR 122.3 million, net financial assets grew to EUR 119.7 million as at the end of December 2023 (31 December 2022: EUR 114.4 million).

C. Other performance indicators

Sto Group employees as at 31 December 2023
By segment



Employees
On 31 December 2023, the Sto Group had 5,783 employees worldwide (31 December 2022: 5,735). Compared to the end of 2022, the workforce thus increased by 48 people or 0.8 %. In the segment of Western Europe it rose by 85 to 4,479 people (31 December 2022: 4,394; +1.9 %), while it fell in other segments: in Northern/Eastern Europe by 17 to 600 (31 December 2022: 617; -2.8 %) and in America/Asia/Pacific by 20 to 704 (31 December 2022: 724; -2.8 %).

In Germany, the year-on-year number of employees increased by 41 to 3,171 (31 December 2022: 3,130; +1.3 %). Outside of Germany, the Group workforce increased marginally by 7 to 2,612 employees (31 December 2022: 2,605; +0.3 %), with new hires at national companies with short- and medium-term growth prospects as well as selective reductions in companies with difficult economic conditions. At 45.2 %, the share of the workforce employed outside of Germany was slightly below the previous year's level (31 December 2022: 45.4 %).

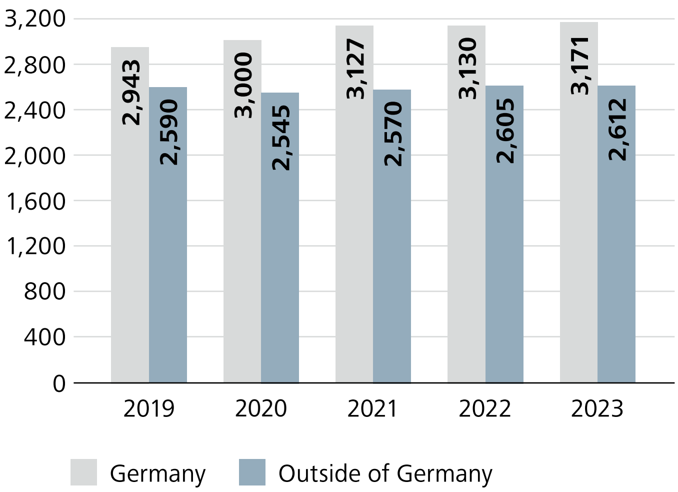
The success of the Sto Group is based on the performance of our employees, which we value and support. We believe that attractive, secure jobs and working conditions, a high level of personal responsibility in performance-oriented teams and regular further training are important prerequisites for a motivated, loyal, experienced and productive workforce and the success of the Sto Group on the employment market.

The recruitment of new, qualified personnel is essential for our growth. In light of the high competitive pressure on the global employment markets and the increasing shortage of skilled workers, we stepped up our HR marketing measures at our locations in 2023 and launched a global project to further develop our employer brand. We want to employ people with diverse skills, backgrounds and experience, as heterogeneous teams are better able to solve complex tasks and integrate social and economic developments more easily. Tolerance with regard to ethnic origin, gender, age, sexual orientation, disability and religion is a matter of course at Sto.

The average age of the Sto workforce at the end of 2023 was 44.0 (previous year: 43.8) years, while the proportion of female employees increased slightly to 25.3 % (previous year: 25.1 %). We specifically aim to recruit female talents for every vacancy and have set up workshops in order to further develop measures to increase diversity.

HR strategy
Our HR strategy is geared towards promoting the Sto culture. It stands for mutual respect, supports active contribution and is intended to motivate employees to take responsibility for ambitious goals.

Sto Group employees as at 31 December
Number



The further development of this corporate culture, which is one of the goals of our strategy implementation process, was driven forward with various measures in 2023. For example, the global management development programme 'Sto Culture

Evolution' was launched, in which more than 190 Group employees have already taken part. In addition, competence profiles were developed in several areas to serve as a basis for the further development of employees. The requirements resulting from process orientation and digitisation within the Sto Group were supported with suitable training, communication and change measures.

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 2023, the fluctuation rate at Sto SE & Co. KGaA improved to 3.3 % (previous year: 3.7 %), while the proportion of employees leaving the Company fell to 2.1 % (previous year: 2.3 %). The average period of employment with the Sto Group remained unchanged at 11.1 years. These figures show the high level of loyalty of the workforce to Sto.

Occupational safety
Workplace safety and measures to prevent accidents are key components of our HR policy. We aim to achieve a rate of consistently fewer than ten reportable accidents at work or on the way to and back from work per 1,000 employees each year. in 2023, this rate fell to 8.4 within Sto SE & Co. KGaA (previous year: 11.6). In absolute terms, 20 (previous year: 26) accidents at work and 7 (previous year: 8) accidents on the way to and back from work were reported. The predominantly minor incidents were mainly due to carelessness and human error.

In the event of unsafe situations (near misses) and reportable accidents at work, managers are obliged to analyse the causes and, if necessary, initiate measures to prevent future accidents. In addition, there are numerous training and instruction programmes to increase occupational safety.

External certifications attest to the high standard of health and safety within the Sto Group: at the US subsidiary Sto Corp., two out of three plants are certified in accordance with the local 'Safety & Health Achievement Recognition Programme' (SHARP), which documents a high level of health and safety. At the end of 2023, 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 German subsidiaries Verotec GmbH and Innolation GmbH have implemented the OHRIS (Occupational Health and Risk Management System) standard, a globally recognised standard for the promotion of occupational health and safety. The Polish subsidiary fulfils the requirements of AQAP (Allied Quality Assurance Publications) and the subsidiary in Singapore is audited in accordance with the bizSAFE programme.

Health and well-being
Health and a positive working environment, which also increases productivity and reduces undesirable follow-up costs, are prerequisites for the great commitment of our employees. We promote these important framework factors with a variety of activities.

The basis for this is the Sto Group's global health management programme, in which we work both preventively and, if necessary, support the recovery process of our employees. The focus is on topics such as conscious nutrition and exercise in everyday life. Our company-bike model, for example, has been very well received. Vaccination programmes at various locations are also popular. After the pandemic-related restrictions, Sto's occupational reintegration management was returned to a normal level, and affected colleagues were effectively helped in 2023.

Further education and training activities
We believe that regular training and development is an important prerequisite for a motivated and productive workforce and the success of our Group. With a comprehensive, Group-wide programme, we want to expand the expertise and skills of our employees in line with the current challenges, make the best possible use of their potential and enable further personal development.

The basis for this is the digital learning platform 'Learning@sto', which we further expanded and optimised in 2023. The learning content and materials bundled here, which are available in globally standardised formats worldwide, are defined and flexibly adapted in collaboration with the subsidiaries. In 2023, the programme comprised over 310 courses in numerous different languages. The content included, for example, leadership, personal and business skills as well as the topics of communication and interaction. In addition to the digital offering, there is an extensive face-to-face programme, which was expanded in the year under review to include seminars such as 'Lateral Leadership', 'Communication' and 'Project Management'.

Vocational training at Sto
In 2023, 80 (previous year: 102) trainees and dual students began vocational training at Sto in Germany. The Company is currently offering training in 29 industrial and commercial professions and fields of study (previous year: 27). The total number of trainees and students working in Germany at the end of the year was 235 (previous year: 236). In relation to the total workforce in Germany, this equates to a share of 7.4 % (previous year: 7.5 %). 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 2023, we have further strengthened our personnel marketing measures at the locations in order to increase the attractiveness of vocational training at Sto. Among other things, we increasingly took part in local recruitment fairs. Interested parties can find out about careers in the Sto Group at the annual

At the 2023 year end, the Sto Group had a total of 5783 employees globally.
Photo: Martin Baitinger, Böblingen/Germany

Sto Future Day event. In addition, many taster internships and the annual Girls'/Boys' Day for pupils were offered. Extensive information about vocational training can be found in the 'Karriere' (Careers) area of the Sto website at www.sto.de.

Research and development (R&D)
With intensive research and development activities, we are constantly expanding our core competences, underpinning and working toward our position as an innovative technology leader in the industry, expanding our expertise and tapping into new markets, customer groups, and growth areas.

This is why sustainable R&D work is one of the key foundations of our strategic direction.

Development activities are primarily concentrated at the Stühlingen/Germany location, which acts as a competence centre for the entire Sto Group. Intensive bilateral dialogue

Sto's training rate of 7.4 % is considerably above the average for all the businesses working in the chemical industry in Germany.
Photo: Sto SE & Co. KGaA

takes place with the locally operating R&D departments of the subsidiaries in and outside of Germany – both through face-to-face meetings and online formats. In addition, a bi-annual global meeting of all R&D departments has been implemented.

Expenses with an impact on profit or loss for research and development costs amounted to EUR 16.5 million in the year under review (previous year: EUR 15.9 million) or 1.0 % (previous year: 0.9 %) of consolidated turnover. At the end of the year, the number of employees working in R&D departments worldwide totalled 197 (previous year: 185).

Focus of R&D work
Sustainability is a clear focus in the new and further development of our products and systems. In the year under review, the focus was on the integration of renewable raw materials and alternative binders without cement, while insulants focussed on recyclability and fire protection. In addition to product development, sustainability also plays a fundamental role at Sto in all other stages of the value chain – from the selection and procurement of materials to production and environmentally friendly packaging.

Another central theme of our R&D activities is the system concept. The products are perfectly compatible with each other but can also be processed as individual products and combined flexibly. This helps to make the application process more efficient, while ensuring long-term conservation of value. At the same time, it enables building owners to enjoy the maximum degree of individual design freedom.

The R&D departments are also constantly working on solutions to optimise the existing portfolio in order to be prepared for future uncertainties in the development of raw material

In 2023, Sto researchers developed a new cleanable single-component interior paint: StoColor PuraClean is resistant to soiling thanks to its special surface appearance and can simply be wiped off with a damp cloth.
Photo: Martin Baitinger, Böblingen/Germany

A new collection supplements the StoColor System with plant-based paints in 50 different shades.
Photo: Sto SE & Co. KGaA

and energy prices as well as availability in the area of procurement. In 2023, among other things, new raw materials were validated and formulations optimised in order to counteract cost increases and replace materials that are difficult to source. The benchmark for the associated changes are the high quality standards we provide for our customers and an appropriate cost/benefit ratio. New environmental standards and statutory regulations also require the constant review and revision of existing formulations. In addition, the supplier network was expanded in order to reduce dependence on individual sources of supply.

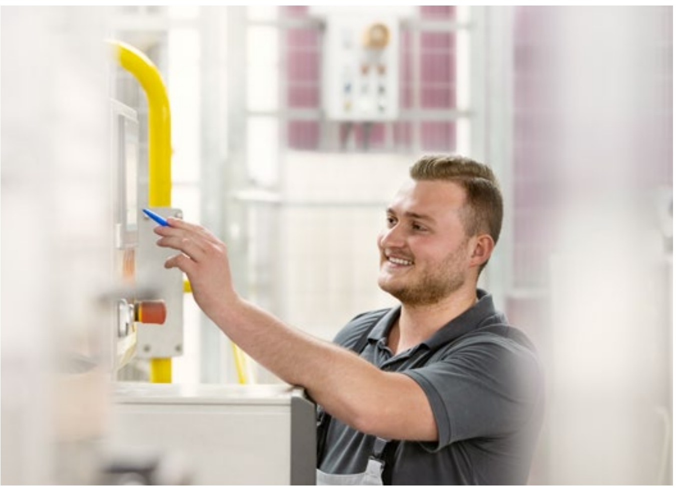
New and further product developments
One example of the consistent implementation of the sustainability strategy in the area of product development is the AimS product family, which sets new standards in terms of sustainability criteria and at the same time has excellent application properties. The EWIS StoTherm AimS, for example, which was launched in 2020, saves oil and CO_2 during production and thus protects the climate in particular. It consists of more than 95 % renewable and sufficiently available raw materials, but makes no compromises when it comes to the application. Three AimS facade products followed in 2021 and a floor coating the following year. In 2023, the sustainable product line was expanded to include the universally applicable StoPrep Miral AimS render primer, which also meets the highest technical standards and conserves resources.

The surface of our Lotusan products was modelled on the lotus plant. They are covered with tiny dimples that allow water to run off. This Lotus Effect technology ensures that dirt particles are simply washed away by the rain, algae and fungi have no food source and the facade remains permanently beautiful. The binding agents in the StoColor Lotusan AimS facade paint are partly based on renewable raw materials such as pine oil. This enables us to offer another product that already meets future environmental standards and at the same time fulfils the high demands of our customers.

Seven external wall insulation systems (EWIS) from Sto were awarded the 'Blue Angel' for environmentally friendly thermal protection in the year under review. They comply with the award criteria in force since 1 January 2023, which have been significantly tightened. The seal of quality has been the German government's eco-label for over 45 years and sets demanding standards. The subsidies of many local authorities are often based on the 'Blue Angel' eco-label – EWIS that have been awarded this label are subsidised with up to 40 euros per square metre. The particularly environmentally friendly Sto systems include StoTherm Mineral, a non-combustible, mineral wool-based EWIS. It can be fastened purely mechanically with the StoFix Circonic insulation board fastener without any adhesive mortar and can be separated and sorted accurately when dismantled.

The ventilated rainscreen cladding system StoVentec Photovoltaics Inlay is also particularly innovative. With the system's photovoltaic module, energy can be generated from the facade. Switching from the thin-film modules used until now to the more efficient monocrystalline solar cells has increased performance by 38 %. And at the same time, costs have been reduced by about a third. The system additionally protects against heat, weather, and noise. It is durable, can be dismantled and recycled, and offers a whole host of design options when used in combination with our facade cladding and facade coatings.

Our high level of technological expertise is also recognised by architects, an important customer group for us. This was once again underlined by the Architects' Darling Award, which is organised by an information platform for the construction industry. Sto won gold in the 'Objektberatung' ('Project Consultancy') and 'Beste Produkt Innovation Ausbau' ('Best Product Innovation – Expansion') categories in 2023. The platform surveyed more than 1,900 architects and specialist planners.



The Sto Group also places great emphasis on environmental friendliness and resource conservation in its production processes.
Photo: Sto SE & Co. KGaA

Fundamental research

Sustainability is also a central topic in Sto's extensive fundamental research. In 2023, the focus was on circular economy. Among other things, there were projects with recycled raw materials and questions about the recyclability of products and systems were analysed. With regard to the origin of organic raw materials, research activities continue to focus on renewable alternatives. Multifunctionality is also playing an increasingly important role in the systems.

Sto co-operates with numerous academic and industrial partners. These include universities, research institutes, start-ups and partnerships with suppliers. In order to promote suitable young professionals, more and more bachelor's and master's theses as well as doctoral students are being supervised in the Sto Group's R&D departments.

Production

The production facilities and processes in the Sto Group's global production network are continuously optimised, kept at the cutting edge of technology and constantly developed further. As with all processes, we pay attention to environmental compatibility and resource conservation. This enables us to ensure the high quality level of Sto products and fulfil our customers' requirements.

The key products produced in-house at the Sto Group continue to be coating materials such as renders, paints, adhesive and reinforcing compounds as well as floor coatings. Some of the polystyrene (EPS)-based insulants, which are used exclusively within the Group, are produced at the Innolation GmbH sites in Lauingen/Germany and Amilly/France. By producing these materials ourselves, we can expand our technological expertise in this important area in a targeted manner and reduce our dependence on suppliers. Additionally, our Swedish subsidiary produces special insulants based on expanded polystyrene.

Global supply chains were significantly more reliable compared to the serious disruptions in the previous year. Individual, minor disruptions were quickly compensated for, and the scheduling of raw material deliveries also went largely smoothly. As a result, the supply of finished products was ensured at all times, although there were strong fluctuations in the receipt of orders over the course of the year.

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 Sto Group does not consider key figures relating to receipt of order 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

The Sto Group's global production network was reduced by one to 32 locations by the end of 2023. The production facility of the Russian company, whose shares were sold in December 2023, was no longer included. The degree of utilisation at the Group's twelve German plants and 20 plants outside of Germany was good overall, but down on the previous year in some cases.

In 2023, one focus of the Retrofit programme, a continuous project to modernise and renew the production facilities at our locations, was once again the replacement of process control systems in existing plants and the modernisation of control systems, sensors, actuators and testing facilities. This also involves installing a 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/Germany. The systems for the other production areas at the Stühlingen/Germany location were put into operation at the turn of the year 2022/2023. This means that both production areas for the manufacture of fluid and paste-form products are now equipped with the modern system. In addition, various replacement and expansion measures were prepared, including at the plants in Kriftel/Germany and Rüsselsheim/Germany.

To enable us to identify optimisation potential at an early stage and further improve efficiency, we regularly check the non-conforming batch rate at our production sites. It is defined as the proportion of the total production volume that cannot be delivered due to defects. In 2023, we once again achieved our target of keeping this value below 0.09 % at the majority of Sto's European plants. 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. At the year end, 26 (previous year: 25) of the total of 32 plants complied with the international quality management standard ISO 9001:2015. Südwest Lacke + Farben GmbH & Co. KG in Böhl-Iggelheim was certified for the first time in 2023. In addition, Südwest Lacke + Farben GmbH & Co. KG and Sto Sp. z o.o. in Warsaw/Poland, successfully passed the audit in accordance with the environmental management standard ISO 14001:2015, meaning that this standard was established in a total of 19 companies at the end of the year (previous year: 17).

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

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

The quality assurance of EPS insulation board production is a particular focus, however, other products, which we identify and prioritise in a defined process, are also carefully checked on a regular basis. The aim is to ensure that a very high level of quality is achieved at all stages of the manufacturing process, and – where possible – that an even higher level is attained. This also includes analysing and, if necessary, optimising processes, especially in connection with the planned introduction of the ERP software SAP S/4HANA.

Procurement
The main feedstocks and raw materials purchased by the Sto Group are insulants, pigments, epoxy resins and their hardeners, cements, dispersions, dispersible polymer powders and fillers. Packaging materials are part of our procurement portfolio, which has hardly changed compared to the previous year.

The **supply situation** improved significantly in the year under review compared to the tense situation in 2022. Temporary bottlenecks in some areas were quickly compensated for by sourcing from alternative suppliers (multiple sourcing) or early stockpiling.

Sto takes responsibility for implementing ethical, social and ecological standards in its own Company and expects its suppliers to comply with the principles set out in the Supplier Code of Conduct and to take appropriate account of them in their own supply chain.
Photo: Sto SE & Co. KGaA

Purchasing prices, which were at a high level at the beginning of 2023, were still trending upwards until the middle of the year. From the summer onwards, falling demand, as a result of the weaker economy, became increasingly noticeable. In some cases, this led to price declines, for instance for chemical-based input materials. However, further increases had to be absorbed for energy-intensive products and materials such as cement, mineral wool and fillers. The consistent realisation of cost-cutting potential across the entire area of procurement and the bundling of requirements once again had a positive effect. Overall, the cost of goods sold within the Sto Group (as a percentage of total revenues) decreased compared to the previous year from 49.3 % to 46.1 %.

Prices in the **electricity and gas sectors** decreased considerably compared to 2022, but were still significantly higher than before the outbreak of the Russia-Ukraine conflict. At Sto SE & Co. KGaA, the procurement of gas was largely secured by existing contracts in 2023, while the old contracts at some subsidiaries expired and gas had to be purchased at current market prices. Electricity procurement for the main German locations for 2023 was secured at the end of 2022, but government subsidies from energy price brake programmes mitigated the relatively high price level somewhat. Part of the required volume was covered via the spot market, where we picked variable purchasing times in order to benefit from fluctuations. We are gradually investing in our own electricity generation on the Company's own properties by expanding our photovoltaic capacities. This will reduce the Group-wide procurement volume and make us less dependent on price fluctuations on the electricity market.

In the year under review, the European **transport market** was characterised by the subdued economic situation, which led to lower demand and therefore better availability of capacity. Fuel costs also decreased on average. The introduction of higher toll rates in Germany, which significantly increased costs from December 2023, had a negative impact on freight forwarders. Freight costs increased in rail transport, too.

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 Sto 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 2023, work particularly focused on improving administrative processes in the purchasing department and restructuring the organisation, which has grown considerably. We also developed a centralised purchasing strategy over the course of the year in order to systematically implement the goals defined in the Group strategy. The purchasing strategy will be rolled out across Europe over the next few years together with a purchasing guideline. The Sto Group's supply chains were analysed specifically with regard to the statutory requirements of the Act on Corporate Due Diligence Obligations in Supply Chains and a new process for the annual external risk analysis was implemented.

In order to further improve **procurement planning** and product availability, the introduction of a Sales & Operations Planning (S&OP) process was started in 2023. The aim is to align procurement, production and logistics even more closely with distribution planning and to harmonise processes across functions worldwide. In detail, we expect the introduction of the S&OP process to result in greater planning accuracy, increased efficiency, better cooperation between the various departments and optimised product availability, which will be reflected in greater customer satisfaction.

Thanks to the increasing automation of the ordering process, we were able to further increase the **on-time and in-full delivery** of Sto SE & Co. KGaA to our customers in 2023: it rose from 95.9 % in the previous year to 97.4 %. This was due in particular to the improved availability of raw materials, primary materials, finished goods and bought-in products, which was largely attributable to forward-looking strategic stockpiling. This means that the SalesCentres can be stocked in good time depending on the weather.

Twice a year, we carry out a systematic **supplier evaluation** in which the criteria of quality, price, sustainability, commercial co-operation and delivery conditions are taken into account. 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 86.3 (previous year: 83.8) was achieved in 2023.

Distribution of the procurement volume
The majority of the volume purchased by Sto is sourced via local markets. Three quarters of Sto SE & Co. KGaA's procurement volume, which accounts for around 50 % of the Group's procurement volume, is purchased in Germany and the rest in Europe.

D. Risks and opportunities report

Risks and opportunities
As an international Company, Sto SE & Co. KGaA is confronted with opportunities and risks. The goal-oriented management of these opportunities and risks, which are defined as possible deviations from the planned result, is one of the fundamental components of our management of the Company and is essential for the long-term positive development of the Sto Group.

The Executive Board of STO Management SE as the personally liable partner of the Company 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 reliability 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 the control system 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 Group management 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 and regional 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 Company's detailed compliance system for monitoring adherence to legal provisions and internal Group guidelines is aligned with the Group's risk situation. 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 reporting system for compliance infringements is publicly accessible via our website at www.sto.de. This allows misconduct to be reported anonymously around the clock and to be comprehensively investigated, 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 system is regularly reviewed in accordance with legal 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 (ICS) and the 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, as part of their audit the chartered accountant checks whether the system for the early detection of risks is suitable – in all key respects – for the early detection of threats to the Company’s continued existence in accordance with the statutory regulations.

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

With regard to the accounting process, the audit is carried out externally by our Group auditor and mandates, among other things, that inventory observations are carried out and the disclosure and valuation of assets and liabilities are reviewed as part of the legally obligatory annual audit. The Federal Financial Supervisory Authority (BaFin) monitors the implementation of accounting standards, while the audit authorities monitor compliance with tax regulations.

The Supervisory Board and, in particular, the Audit Committee receive regular information from the Executive Board of the personally liable partner 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 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. It 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 risk management software.

By determining and analysing the **risk-bearing capacity**, which is defined as the maximum extent of risk that the Sto Group can bear over time without jeopardising its own continued existence, an assessment is made as to whether there is a threat to the Group's assets, liabilities, financial position and profit or loss. The prerequisite for this is the determination of a company-wide risk-bearing capacity in relation to the overall risk position, whereby the company-wide overall risk position results from 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 Sto Group's enhanced risk management and early warning system provides prompt notification should the overall risk position assume critical proportions with regard to 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 2023, 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 the risk areas to a risk class. The development of each individual risk area is also indicated, which is categorised as unchanged, decreased or increased compared to the previous year.

We are currently conducting a materiality assessment as part of a project to fulfil the disclosure obligations from the 2024 financial year in accordance with the Corporate Sustainability Reporting Directive (CSRD). We will report on potential

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 63 million	Significantly negative impact on earnings
Significant	EUR 30 million to EUR 63 million	Noticeable negative impact on earnings
Moderate	EUR 16 million to EUR 30 million	Negative impact on earnings
Low	< EUR 16 million	Slight to moderate negative impact on earnings

Significant risks

Risk area	Risk class	Development
Sales risks, overall economic and industry-specific risks	1	→
Dependence on weather conditions	1	→
Risks in procuring raw materials, bought-in products, and energy	2	↓
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	→
Tax-related risks	3	→

long-term risks that we identify as part of the project in subsequent years.

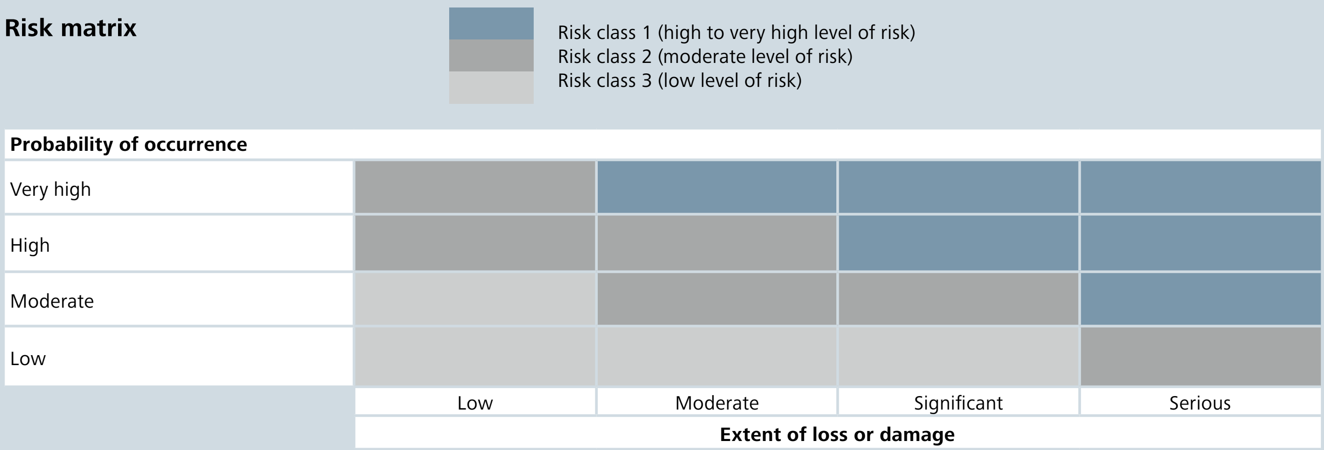
Statement on the effectiveness of the internal control system and risk management system[3]
The Executive Board of the personally liable partner STO Management SE has initiated and implemented an integrated approach to governance, compliance, and risks that aims to ensure adequate and effective internal 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 the Sto Group 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.

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. As things currently stand, we do not expect any significant risks relating to

[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 content-related audit by the auditor (non-management-report disclosures).

Risk matrix



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 an even more noticeable reluctance to invest in property purchases and among property owners. Sto companies in markets with high levels of new construction activity could face further challenges as a result.

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 continuously fall or remain low. However, due to the current general conditions, this is a very unlikely risk.

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.

As part of our activities in associations, in particular through our membership in the Verband für Dämmsysteme, Putz und Mörtel e.V. (Association for Insulation Systems, Renders, and Mortars, VDPM) and the Federal Association for Energy-efficient Building Envelopes (Bundesverband energieeffiziente Gebäudehülle e.V., BUVEG), we provide appropriate information on the product properties of facade systems in order to strengthen the confidence of applicators and investors in the long term. 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 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 for Sto – especially on the German market – if potential building owners/developers continue to be reluctant to invest, which would result in an additional 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 with a wide range of projects, which covers virtually every process in the Sto Group. 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.

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 counteract this risk within the scope of our possibilities through the various activities of the Sto Foundation in promoting young talent in architecture and the skilled trades, as well as the Sto Group's efforts to qualify customers.

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 low precipitation and adequate 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)

Risks in procuring raw materials, bought-in products, and energy
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 goods and energy supplies may cause Sto's production activities to be restricted or rendered impossible.

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.

Depending on its extent, an imbalance between supply and demand in the case of the materials and resources required by Sto could 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 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 reduce the Sto Group's earnings before taxes (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.

As a result of the easing in many areas of the procurement markets that affect us compared to the previous year, primarily due to more stable supply chains and falling prices in some cases, we are downgrading the risk from risk class 1 to risk class 2 compared to the previous year.
(Risk class 2)

Geopolitical and country-specific risks
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 active business operations of our Russian subsidiary were suspended immediately after the outbreak of the conflict and all deliveries to Russia were stopped. The shares in the Moscow-based Sto company, which was of relatively minor importance within the Group, were sold in December 2023. The share of turnover that we generated in Russia and Ukraine in previous years accounted for less than 1 % of Group turnover. The volume of raw materials and purchased products sourced directly from Russia and Ukraine also has been and continues to be insignificant.

The consequences of the war and the sanctions introduced, the conflict in the Middle East and other trouble spots and disputes, for example in the Red Sea, are expected to have a further negative impact on the global economy this year and in subsequent years. A further increase in energy prices, overall procurement prices and the risk of inflation as well as disruptions to supply chains and the associated restriction in the availability of goods and resources cannot be ruled out.

The further development of the geopolitical situation can hardly be reliably assessed at present. Significant losses of growth could occur. In addition, new geopolitical scenarios are emerging as a result of the conflicts, meaning that uncertainty and the negative impact on the further development of the global economy and the international capital markets as a whole may increase significantly. This particularly applies if the conflicts 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 relations between China and Taiwan.

The continuous internationalisation of our business activities is one of Sto's key strategic objectives, spreads the entrepreneurial risk and partially offsets fluctuations in individual countries. As a result, Sto is well differentiated regionally.
(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. Disruptions such as system failures, attacks on networks, and the loss or manipulation of data can jeopardise processes such as Sto's 'Order to Cash' and result in financial damage 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 audits. A significant increase in the number of detected attacks was recorded in 2023. Hence, further measures will also be necessary in the future to address the increasing risk of cybercrime.

An important component of Sto's security strategy is the Zero Trust model, which is specifically tailored to Sto's cloud-first strategy. This means that IT systems are preferably sourced from cloud service providers, provided that this makes economic and technical sense. These have a very high level of IT security, from which Sto benefits. In Germany, these providers 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).

The implemented and planned measures address the following main priorities:

Continuity:
The core systems necessary to the Company’s operating business, such as SAP and Salesforce, are deployed in redundant and fully virtualised form. This ensures maximum continuity of the systems and the appurtenant services. Essential IT services are increasingly available in the cloud, meaning that fewer and fewer relevant services are being provided in the Company's own data centre. A further step could be taken with the planned switch to the SAP version S/4HANA. At present, the resulting economic impact is being examined before a final decision is made.

Due to the redundant set-up, 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. Cyber security training was therefore also an important factor in 2023. Within Sto's internal communication channels, warnings and recommended courses of action in such cases are published on a regular basis. Furthermore, 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 during 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.

Sto is actively promoting digitisation, which is leading to changes in construction methods and processes in the construction and building materials industry, among other things. With targeted investments, new digital developments can be utilised and efficiency increased, for example through better management of inventories and production processes. A lack of progress in digitisation could lead to a loss of efficiency and competitiveness.
(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 have a negative impact on the Group's 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 to the Sto Group. 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, 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 European Court of Justice (ECJ) declared the EU Commission's 2019 regulation null and void insofar as it relates to the hazard classification of titanium dioxide. The ECJ 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 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. Various legal regulations have now come into force or are about to be passed. However, the draft revision of the REACH Regulation, a centrepiece of the 'Chemicals Strategy for Sustainability', is no longer expected during the current EU Commission's term of office, but only in the new legislative period. In the coming years, further far-reaching bans and restrictions on chemical substances and their use are hence expected which will affect the manufacturers of chemical substances, but also 'downstream users'. Sto actively monitors the development of these initiatives in order to recognise potential risks that could result for the Group in advance and to develop alternatives so that safe and high-performance products for sustainable building 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 and maintain 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, the Sto Group 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 2023 financial year, this applied to Switzerland, Sweden, Poland, Norway, 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 2023 under review.

As a result of seasonal variability, the demand for liquidity to finance current business 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 SE & Co. KGaA 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 original term of this agreement ends in April 2027 and is equipped with two extension options of a year each until 2029. In the meantime, the first extension option has been exercised, meaning that the term is currently agreed until April 2028. 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.

Investments in fixed-term deposits with banks, government and corporate bonds are exposed to default risk if commercial banks and issuers are unable to meet their repayment obligations at the point of maturity. The Sto Group's financial investments are based on the principle that security takes precedence over returns. 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 2023 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. There are standardised hedging strategies for foreign exchange transactions worldwide with regard to foreign currency risks from the underlying operating business. There are clear rules and guidelines for financial investments and for internal and external financing within the Sto Group. These requirements are set out in a modular treasury directive. Within the framework of this directive, only hedging transactions with approved counterparties may be concluded only to hedge existing or planned transactions. In the year under review of 2023, Group-wide implementation of a central treasury management system and a payment transaction system integrated into SAP was continued and completed in the course of a rollout project spanning several years. This further improves transparency and security.
(Risk class 2)

Human resources risks
The expertise and enormous dedication of the Sto employees are amongst the key building blocks of our 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 the development of the Sto Group. 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 towards Sto felt by employees already working for the Sto Group. Furthermore, 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 Sto Group companies, with certification in line with international standards. Further information on environmental protection can be found in the chapter 'Production', subsection 'Certified quality management'.

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 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 Sto Group consistently focuses its organisation on sustainability and provides its customers with resource-efficient solutions that make a direct contribution to reducing energy consumption andCO_2 emissions. We are also working continuously to reduce our own CO_2 footprint.
(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 receivables and liabilities, as well as on deferred tax assets and liabilities of the respective companies of the Sto Group. 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. Within the framework of our tax compliance management system, measures to reduce or avoid tax risks are proactively developed and implemented in the relevant business areas.
(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 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. Particularly 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. The EU has defined ambitious targets for the years 2030 and 2050, which are to be supplemented by a further interim target for 2040. The existing targets are set as follows: By 2030, greenhouse gas emissions are to be reduced by at least 55% compared to the reference year of 1990. The plan is to achieve net greenhouse gas neutrality by 2050. Although it has still not been defined in detail how the ambitious targets are to be achieved, their realisation will in any case trigger a wave of renovation in the building sector, as this plays a decisive role in climate protection. As soon as this potential becomes effective in terms of demand, there is a significant opportunity for growth for Sto.

The European Energy Performance of Buildings Directive (EPBD) was reformed in the trilogue negotiations between the EU Commission, the EU Parliament and the member states in December 2023. Accordingly, the member states are to gradually reduce the average primary energy consumption of the entire residential building stock – by 16 % by 2030 and by 20 to 22 % by 2035. How exactly the federal states achieve these targets is up to them; no minimum efficiency standards or refurbishment obligations for existing residential buildings are planned. These targets harbour great market potential for Sto, but the progress required in terms of climate protection will only be partially achieved.

Government support programmes that several countries have launched in recent years are helping to tap this important climate protection potential in the buildings area and are having the desired effect, e.g. in France. There are also similar initiatives in many other European countries such as Italy and the UK.

The currently high gas and heating oil prices are also accelerating the need for energy-efficient refurbishment of buildings.

The economic benefits of having good thermal insulation become much more important as energy costs rise and the initial expenses are amortised much faster.

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.

If the economy in Sto's key markets develops better than expected, there will be additional opportunities for organic growth. 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 risks and opportunities that may lead to significant negative or positive deviations from the forecast developments over and above the statements and assumptions in the Outlook report.

Global economy
Following the robust development in the second half of 2023, which had exceeded expectations, the IMF raised its forecast in January 2024 by 0.2 percentage points compared to the October estimate and now expects global economic growth of 3.1 % for the current year of 2024. The IMF is more confident than before, particularly for the USA, China and large emerging and developing countries. However, the increase is significantly below the historical annual growth of 3.8 % on average between 2000 and 2019, which, according to the IMF, is partly due to the restrictive monetary policy of many central banks, less fiscal support and lower productivity growth. Risks arise from geopolitical tensions and natural disasters that could lead to disruptions in supply chains. A potentially prolonged period of inflation with corresponding measures by central banks and an intensification of the property crisis in China could also have a negative impact.

The IMF economists expect economic output in industrialised countries to increase by a total of 1.5 % in 2024. The strength of the US economy, with growth of 2.1 %, contrasts with the still subdued momentum in the eurozone, where weak growth of 0.9 % is forecast. The IMF is forecasting an increase of 4.1 % for developing and emerging countries in the current year. Positive effects are expected to come from China (+4.6 %) and India (+6.5 %) in particular.

According to the IMF, German GDP will only grow minimally by 0.5 % in 2024. The main reasons cited for the weak development are low domestic demand from both private households and companies, which cannot currently be offset by exports, and the strict debt brake, which reduces necessary government investments.

Trends for the international construction industry
According to estimates by the Hauptverband der Deutschen Bauindustrie e.V. (Main Association of the German Construction Industry), the decline in turnover in real terms in the **German main construction sector** will slow from 5.5 % in the previous year to 3.5 % in 2024. One of the reasons is therefore the development of construction prices. While these increased by around 7 % in 2023, a slight reduction of 1 % is expected in the current year. The association anticipates a further slump in turnover of 12 % in real terms in new residential construction, which is being held back primarily by the interest rate trend on the capital market. The higher financing costs are a burden on both potential owner-occupiers and rental housing construction, as the expected returns are reduced. The considerable losses in new construction are only likely to be offset to a small extent by refurbishment measures, which are expected to increase further, primarily due to the announced stable volume of subsidies for energy-efficient refurbishment, the high energy prices and the fears surrounding the supply of energy.

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 decrease further. However, the decline is expected to slow from 4 % in the previous year to 2.5 %. Turnover is expected to decrease only slightly due to price effects. Sales in the EWIS market are also likely to weaken somewhat less sharply. The market research institute B+L Marktdaten GmbH expects a reduction of 5.1 % following the significant decline of 15.3 % in 2023.

The Euroconstruct network anticipates a sharper decline in **European construction activity** in 2024 than in the previous year. According to the researchers' estimates, construction activity in the 19 Euroconstruct countries will fall by 2.1 % in the current year (2023: -1.7 %), primarily as a result of the interest rate hikes and the war in Ukraine. A further decline in market volume is forecast in residential construction in particular, while non-residential building construction is likely to stagnate. The renovation of existing buildings is also expected to shrink in 2024, which is also attributable to the residential sector. Renovation work in non-residential building construction is expected to increase according to forecasts.

The **US construction industry** expects solid growth in 2024 after the Federal Reserve announced an interest rate cut in December 2023. According to the GTAI, economists are expecting an economic upturn following an economic slowdown in the first half of the year. Supported by the interest rate reduction policy, private construction activity is also likely to pick up. According to Dodge Construction Network, the value of newly started residential construction projects could grow by 11% in 2024. Growth rates in commercial building construction and the infrastructure sector are expected to weaken compared to the previous year, but remain at a high level thanks to government subsidy programmes.

In the **Chinese construction industry**, the declines in the real-estate sector will continue in 2024 from today's perspective. China's export-driven economic growth, which the IMF expects to fall to 4.6 % this year, is being impacted above all by weak global demand, low domestic consumption and the struggling property market. The geopolitical situation, the continuously declining birth rate and the ageing population are also jeopardising China's economic growth.

Projected performance of the Sto Group

Assuming average weather conditions, which are explained in the Risk report, Sto expects a continuing positive business development and, despite major challenges, a Group turnover of EUR 1.79 billion for the 2024 financial year. Broken down by segment, growth in turnover in Western Europe is likely to fall into the mid-single-digit percentage range, in Northern/Eastern Europe into the lower single-digit range, and in America/Asia/Pacific into the higher single-digit percentage range.

Sto forecasts both earnings before interest and taxes (EBIT) as well as earnings before taxes (EBT) to fall between EUR 113 million and EUR 138 million. The return on sales is hence likely to be between 6.3 % and 7.8 %. Return on capital employed (ROCE) is expected to reach a value of between 14.5 % and 17.8 %.

The forecast is based on an average weather pattern and an economic development in line with expectations in Sto's key markets as well as a largely stable euro exchange rate. Another key assumption is that geopolitical tensions such as the Russia-Ukraine or Middle East conflict will not cause any significant impairment of demand in the markets relevant to Sto and that there will be no restrictions in the conduct of business activities or the supply of raw materials, purchased products, and energy.

Despite global political and economic factors, downward adjustments to EU energy efficiency targets and the uncertainty resulting from paralysing political action in Germany, the general conditions for Sto remain extremely good in the medium and long term.

Further easing is expected on the **procurement markets** in 2024. We expect volumes and prices to decrease and assume that the availability of all key input materials will remain largely stable. However, prices for energy-intensive input materials such as cement are likely to rise again. According to logistics experts, the cost of storage capacity will also increase. In addition, the development of Sto's business is dependent on unforeseeable disruptions on the global markets. This includes, in particular, the disrupted supply chains as a result of the current disruptions in the Red Sea. It is unclear whether the resulting cost pressure on the procurement side can be offset by adjusting sales prices.

In 2024, the planned **volume of investments** in Property, plant, and equipment, and Intangible assets amounts to EUR 50 million Group-wide. The largest individual investments include the continuation of the 'Retrofit' programme for the modernisation and renewal of production equipment in the Sto Group. In 2024, another plant will be brought up to date in terms of control technology. Investments are also being made in the company in Australia, where a new location was purchased at the end of 2023. A new wet- and a dry-production plant are to be installed here in the course of 2024. There are also plans for a production site in Mexico and the expansion of raw material silo capacities at the site in Donaueschingen/Germany.

The **number of employees** in the Sto Group is expected to develop in line with turnover in 2024. 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.

We intend to further expand our intensive **research and development activities**, which are mainly concentrated at our headquarters, in the coming years and extend our Company premises in Stühlingen/Germany accordingly. A new building complex is planned, which will house additional workstations as well as rooms for test equipment, application engineering, technical training, and innovation meetings. The detailed planning for the project with the working title 'Innovation Campus' was approved by the Supervisory Board and an architectural competition was launched in 2023. Further steps will depend on the Sto Group's business development and will be decided on a case-by-case basis.

General statement on future development

Overall, the Executive Board of STO Management SE is optimistic for the year of 2024 as a whole and the years to come. Although the development of business in 2024 will again be coined by great uncertainties in the macroeconomic environment, we expect a turnover in the amount of EUR 1.79 billion and EBIT of between EUR 113 million to EUR 138 million.

There is considerable market potential for the medium- and long-term development of the Sto Group solely due to the high demand for facade systems which is expected to further increase. Good building insulation is essential for achieving the global climate targets, most of which have been made binding. In addition, the high energy and CO_2 prices are supporting increased demand for external wall insulation systems, as they accelerate amortisation. As a leading supplier, Sto should participate noticeably in this growth. However, the timing and magnitude of the increase in demand depend on the political will to realise the defined targets and to implement the necessary binding measures.

We expect future growth not only in facade systems, but also in our other product areas, benefiting from the Group's broad positioning in terms of different markets and customer groups. As a result, we are generally able to compensate for fluctuations in individual market segments. We also benefit from our innovative, optimally harmonised product range. It meets the requirements of the respective markets, takes into account global trends and developments, including in the context of digitisation, serves the needs of all target groups and gives building owners maximum individual design freedom. In addition, the broad sales base, customer-focused logistics and the excellent workforce support the successful development of the Sto Group.

Risks for the future business development arise in particular from the consequences of geopolitical conflicts, which remain unpredictable.

Our employees make a significant contribution to achieving our goals. Thanks to the great commitment and dedication of our employees, we were able to achieve what we consider to be a very good result in the 2023 financial year despite the enormous challenges and fulfil our performance promise to our customers in a difficult environment. The Sto team stuck together in an exemplary manner, for which we would like to express our sincere thanks!

The previous medium-term target has been adjusted: for the 2025 financial year, the Sto Group is now aiming for a turnover of around EUR 1.9 billion and a return on sales in relation to EBT in a range of 7.6 % to 9.2 %.
The medium-term target for 2027 is consolidated turnover of EUR 2.1 billion and a return on sales in relation to EBT of 10 %.

Stühlingen/Germany, 2 April 2024
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 Disclosures on 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 ('DCGK') on the corporate governance of the Company in the 2023 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 Deutscher Corporate Governance Kodex (DCGK) 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 the DCGK 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'

The Deutscher Corporate Governance Kodex (DCGK) is tailored to companies in the legal form of a 'Aktiengesellschaft' (public limited company) or a European Company (SE) and does not take into account the special features of the legal form of a 'KGaA' (Kommanditgesellschaft auf Aktien, which corresponds approximately to a partnership limited by shares). Many of the recommendations of the Deutscher Corporate Governance Kodex (DCGK) can therefore only be applied to Sto SE & Co. KGaA in a modified form. Significant modifications result in particular from the following special features specific to the legal form. Sto SE & Co. KGaA (referred to below as the 'Company') is a 'Kommanditgesellschaft auf Aktien', which corresponds approximately 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 (AktG). The sole personally liable partner of the Company is STO Management SE, which acts through its management body and thus through its Executive Board, and is therefore responsible for managing the Company'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 German Stock Corporation Act (AktG) 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 of organisation, 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 Deutscher Corporate Governance Kodex 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 2023, 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. The activities for greater sustainability encompass the 17 Sustainable Development Goals (SDGs) of the United Nations. Sto is part of the United Nations (UN) Global Compact, a worldwide initiative run under the auspices of the United Nations that encompasses ten principles in the areas of human rights, Labour, environmental protection, and the fight against corruption. Measures regarding the implementation of the UN 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 and continuous 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 21 June 2023 to serve as the auditor and Group auditor for the 2023 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. The dialogue with the Supervisory Board and the Audit Committee takes place both with and without the participation of the personally liable partner.

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

4.1.1 General information

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 DCGK as well as other recognised external standards, and company regulations.

As stated in the Declaration of compliance, the personally liable partner informs that it is guided by the succession planning strategy described below in accordance with recommendation B.2 of the Deutscher Corporate Governance Kodex (DCGK) as well as the endeavours to achieve diversity in accordance with recommendation B.1 of the DCGK as listed below under 4.1.2 and also, in principle, by recommendations B.3 to B.5 of the DCGK.

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. First-time appointments are made for a shorter period than the maximum appointment period permitted by law, and premature reappointments within the meaning of B.5 of the Deutscher Corporate Governance Kodex (DCGK) are regularly avoided.

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.

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

Due to the legal form of organisation, Sto SE & Co. KGaA does not have an Executive Board, but rather a personally liable partner – the legal entity STO Management SE – meaning that it cannot have a diversity concept or guidelines for men and women in the body authorised to represent the Company; Section 76 (3a) of the German Stock Corporation Act does not apply to it due to the legal form of organisation. It is only disclosed for information purposes that the Executive Board of the personally liable partner comprised four men from January to August in the 2023 financial year, four men and one woman from September to December, and three men and one woman from January 2024.

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 DCGK, 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 2023, 0 % of the management positions at the division management level and 12.5 % of the department manager positions were held by women. By 31 December 2024, these percentages are expected to be at 5.0 % and 13.7 % respectively.

Despite the relevant requests having been submitted during the process of searching for candidates, it was not always possible to find suitable female candidates. This means that the proportion of women at the second management level still falls short of the set quota target during the 2023 financial year.

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 DCGK 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 and consolidated annual financial statements, the management reports of Sto SE & Co. KGaA and the Group, including non-financial issues, 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 2023 financial year, the Supervisory Board of Sto SE & Co. KGaA gathered for six 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 2023 financial year, the Supervisory Board conducted an internal efficiency review as part of a separate organisational meeting, even without any representatives from the personally liable partner present. The Supervisory Board explored the efficiency of its monitoring and advisory activities at a professional development session and an ordinary meeting 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 especially encompasses the latest developments in the area of legal requirements on the Supervisory Board and the Company, but also incorporates matters relating to the Company's business field. 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 2023, 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 responsible for the preliminary audit of the annual and consolidated annual financial statements and the management reports of Sto SE & Co. KGaA and the Group, including non-financial issues. 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 topics and sustainability as well as special topics such as the European Market Infrastructure Regulation (EMIR) audit in accordance with Section 20 of the German Securities Trading Act (WpHG). 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 election of auditor and the future auditor of the Sustainability Report 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. The planned non-audit services are approved on the basis of an advance approval catalogue for the following year. Additional non-audit services are also approved by the Audit Committee prior to assignment. 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 DCGK, 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 Dr 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 Dr°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 'Aufsichtsrat der Sto SE & Co. KGaA' (Supervisory Board). As can be seen from her CV, Dr°Neumann-Schäfer 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 and her doctorate as well as her job as an investments manager, Dr 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 did not meet in 2023 as there were no changes to the Supervisory Board.

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.

There were no changes to the composition of the shareholder and employee representatives in the 2023 financial year. 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 2023 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*
Gelsenkirchen/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

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

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

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

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

Petra Hartwig*
Bad Zwesten/Germany, Trade Union Secretary at IG BCE, District Manager for the district of Kassel, 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/Germany 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 since 14 June 2017

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

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

*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 DCGK 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 competence profile that incorporates the diversity targets within the meaning of Section 298f. no. 6 of the German Commercial Code (HGB).

The competence 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 'Aufsichtsrat der Sto SE & Co. KGaA' (Supervisory Board).

The Supervisory Board will review the competence 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 38 to 68 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 DCGK. 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 2023.

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 2023 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

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	Dr 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), sustainability & CSRD, Accounting and auditing of financial statements (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

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 2023

in EUR K	Notes	**2023**	**2022**
1. Revenue	(1)	1,718,027	1,787,386
2. Changes in product inventories		−6,942	5,699
3. Other internally generated assets capitalised	(2)	367	69
Total revenues		**1,711,452**	**1,793,154**
4. Other operating income	(3)	28,030	28,892
5. Cost of material	(4)	−788,168	−884,800
6. Personnel expenses	(5)	−436,654	−428,244
7. Other operating expenses	(6)	−320,906	−310,187
8. Impairment (net) of financial assets	(7)	−1,488	−4,306
EBITDA (earnings before taxes, net financial income/expense, depreciation and amortisation)	(8)	**192,266**	**194,509**
9. Depreciation/amortisation of Intangible assets, Property, plant, and equipment as well as Rights of use	(8)	−65,764	−64,829
EBIT		**126,502**	**129,680**
10. Earnings from financial assets accounted for using the equity method	(9)	189	397
11. Interest and similar income	(10)	7,618	1,636
12. Interest and similar expenses	(10)	−6,909	−3,414
EBT		**127,400**	**128,299**
13. Taxes on income and earnings	(11)	−41,636	−39,219
EAT		**85,764**	**89,080**
of which:			
Share of minority interests		−315	−1,011
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA		86,079	90,091
Earnings per share basic/diluted in EUR			
Limited ordinary share	(12)	13.37	14.00
Limited preference share	(12)	13.43	14.06

Sto SE & Co. KGaA, Stühlingen/Germany

Consolidated statement of comprehensive income 2023

in EUR K	2023	2022
EAT	**85,764**	**89,080**
FVOCI valuation		
Valuation changes recognised in equity	929	−375
Deferred taxes	−290	134
FVOCI valuation after taxes	**639**	**−241**
Currency translation		
Currency translation differences	−1,759	2,623
Earnings to be reclassified in the statement of profit or loss in future periods	**−1,120**	**2,382**
Revaluation of pension obligations		
Profits/losses from the revaluation of defined benefit plans	−7,703	42,990
Deferred taxes	2,119	−12,288
Earnings not to be reclassified in the statement of profit or loss in future periods*	**−5,584**	**30,702**
Other earnings after taxes	**−6,704**	**33,084**
Total comprehensive earnings after taxes	**79,060**	**122,164**
of which:		
Share of minority interests	−315	−1,011
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA	79,375	123,175

*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 2023

in EUR K	Notes	31 Dec 2023	31 Dec 2022
Assets			
A. Non-current assets			
I. Intangible assets	(13)	53,984	56,675
II. Property, plant, and equipment	(14)	301,743	296,046
III. Rights of use	(15)	99,049	78,809
IV. Financial assets accounted for using the equity method	(16)	2,416	2,227
Fixed assets		**457,192**	**433,757**
V. Non-current trade receivables	(18)	873	1,056
VI. Non-current other financial assets	(19)	90,673	39,866
VII. Non-current other assets	(20)	1,303	1,469
VIII. Deferred tax assets	(11)	18,014	18,674
Other non-current assets		**110,863**	**61,065**
Total non-current assets		**568,055**	**494,822**
B. Current assets			
I. Inventories	(17)	161,323	179,200
II. Current trade receivables	(18)	166,079	171,404
III. Current income tax receivables		4,790	4,688
IV. Current other financial assets	(19)	116,136	102,399
V. Current other assets	(20)	26,137	25,770
VI. Cash and cash equivalents	(21)	122,278	119,423
Total current assets		**596,743**	**602,884**
Total assets		**1,164,798**	**1,097,706**

in EUR K		Notes	31 Dec 2023	31 Dec 2022
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)	653,907	608,604
Share attributable to the shareholders of Sto SE & Co. KGaA			**729,267**	**683,964**
IV.	Share of minority interests	(23)	20	1,093
Total equity			**729,287**	**685,057**
B. Non-current provisions and liabilities				
I.	Provisions for pensions and similar liabilities	(24)	91,481	82,084
II.	Non-current other provisions	(25)	16,457	15,665
III.	Non-current borrowings	(26)	20	932
IV.	Non-current lease liabilities	(27)	79,114	60,693
V.	Non-current trade payables	(28)	202	0
VI.	Non-current other financial liabilities	(29)	6,302	4,798
VII.	Other non-current liabilities	(30)	292	478
VIII.	Deferred tax liabilities	(11)	797	1,093
Total non-current provisions and liabilities			**194,665**	**165,743**
C. Current provisions and liabilities				
I.	Current other provisions	(25)	30,183	33,064
II.	Current borrowings	(26)	2,615	4,058
III.	Current lease liabilities	(27)	21,855	19,798
IV.	Current trade payables	(28)	67,785	67,138
V.	Current income tax liabilities		12,950	11,543
VI.	Current other financial liabilities	(29)	45,250	46,306
VII.	Current other liabilities	(30)	60,208	64,999
Total current provisions and liabilities			**240,846**	**246,906**
Total debt capital			**435,511**	**412,649**
Total equity and liabilities			**1,164,798**	**1,097,706**

Sto SE & Co. KGaA, Stühlingen/Germany
Statement of changes in equity as at 31 December 2023

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 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
Changes to the companies consolidated	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**
As at 1 January 2023	**17,556**	**57,804**	**633,010**	**5,304**
EAT	0	0	86,079	0
Other earnings after taxes	0	0	0	−1,759
Total comprehensive earnings	**0**	**0**	**86,079**	**−1,759**
Dividend payout	0	0	−31,897	0
Changes to the companies consolidated	0	0	0	98
Transactions with owners	0	0	−2,273	0
As at 31 December 2023	**17,556**	**57,804**	**684,919**	**3,643**

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)	
−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**
−6,401	**−254**	**−23,055**	**683,964**	**1,093**	**685,057**
0	0	0	86,079	−315	85,764
−5,584	639	0	−6,704	0	−6,704
−5,584	**639**	**0**	**79,375**	**−315**	**79,060**
0	0	0	−31,897	−150	−32,047
0	0	0	98	0	98
0	0	0	−2,273	−608	−2,881
−11,985	**385**	**−23,055**	**729,267**	**20**	**729,287**

Sto SE & Co. KGaA, Stühlingen/Germany
Consolidated statement of cash flows for 2023

in EUR K	Notes	**2023**	**2022**
Cash flow from operating activities			
EAT		**85,764**	**89,080**
Reconciliation of EAT and cash flow from operating activities			
Taxes on income and earnings	(11)	41,636	39,219
Net financial income/expense	(9/10)	– 898	1,381
EBIT		**126,502**	**129,680**
Depreciation/appreciation of fixed assets	(8)	65,764	64,829
Earnings from disposal of fixed assets		– 442	– 1,558
Earnings from the disposal of consolidated companies and other business units		– 316	0
Other non-cash expenses/income		905	115
Income taxes paid		– 38,131	– 53,029
Change in provisions		– 394	– 10,235
Change in net current assets		17,030	– 34,496
Cash flow from operating activities		**170,918**	**95,306**
Cash flow from investment activities			
Investments in Property, plant and equipment, and Intangible assets	(13/14)	– 46,643	– 47,419
Payments received from other disposal of Intangible assets and Plant, property, and equipment		2,454	2,449
Payments received for the disposal of consolidated companies and other business units (less cash and cash equivalents disposed of)		729	0
Interest payments received		5,159	1,038
Disbursements for financial investments		– 198,944	– 82,292
Deposits from financial investments		133,415	83,671
Cash flow from investment activities		**– 103,830**	**– 42,553**
Cash flow from financing activities			
Payments to minority shareholders		–1,676	–10,660
Disbursements for the repayment portion of the lease liabilities	(27)	–23,390	–22,459
Payments for non-current borrowings	(26/33)	–1,291	–1,012
Payments for current borrowings	(26/33)	–1,064	–4,151
Dividend payout	(12)	–31,897	–31,897
Payments of interest		–3,376	–1,672
Cash flow from financing activities		**–62,694**	**–71,851**
Change in cash and cash equivalents from changes in exchange rates		– 1,520	1,445
Changes in cash and cash equivalents due to expected losses on cash and cash equivalents in accordance with IFRS 9		– 19	– 59
Cash and cash equivalents at the beginning of the period	**(21)**	**119,423**	**137,135**
Change in cash and cash equivalents		**2,855**	**– 17,712**
Cash and cash equivalents at the end of the period*	**(21)**	**122,278**	**119,423**

The statement of cash flows is explained in Note (31).

* 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 2023

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. Stotmeister Beteiligungs GmbH prepares the consolidated annual financial statement for the largest group of associated companies. 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 2 April 2024 by the personally liable partner STO Management SE and will be forwarded to the Supervisory Board of Sto SE & Co. KGaA on 10 April 2024 for approval at the Supervisory Board meeting on 18 April 2024.

2. Basis of preparation

Sto SE & Co. KGaA has prepared its consolidated annual financial statement of the Sto Group for the year 2023 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 2023, are an exception.

Standards/ Interpretations	Title	Applicable	Effects
Changes to IAS 1 and IFRS Practice Statement 2	Disclosures of accounting policies	1 January 2023	Insignificant
IFRS 17	IFRS 17 Insurance Contracts, incl. amendments to IFRS 17 and initial application	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
OECD Pillar Two model regulations / changes to IAS 12	Reform of international corporate taxation – minimum tax rate of 15 % – introduction of exemptions in IAS 12	Immediately, provided local adoption in Germany	Insignificant

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.

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 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.

IAS 12 was amended to the effect that companies are obliged to recognise deferred taxes for transactions that give rise to deductible temporary differences of the same amount on initial recognition. The changes will typically affect leases at the lessee and dismantling obligations and lead to the recognition of additional deferred tax assets and liabilities.

The introduction of the Pillar Two model regulations published by the Organisation for Economic Cooperation and Development (OECD) provide for a reform of international corporate taxation. In principle, multinational companies must calculate their global tax rate for each tax jurisdiction in which they operate and compare this with a minimum tax rate of 15 %. In the event of a negative deviation, an additional tax must be taken into account. As part of the amendments to IAS 12, a temporary exemption from the obligation of accounting deferred taxes resulting from the implementation of the Pillar Two regulations was regulated if stipulated disclosure is fulfilled.

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

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
Amendments to IAS 1	Classification of liabilities as current or non-current – Non-current liabilities with covenants	1 January 2024	Insignificant
Amendments to IFRS 16	Amendments to IFRS 16 Sale and leaseback	1 January 2024	Insignificant
Amendments to IAS 7 and IFRS 7	New stipulated disclosures for reverse factoring arrangement	1 January 2024	Insignificant
Amendments to IFRS 10 and IAS 28	Sale or contributions of assets between an investor and its associate/joint venture	Date of first-time application to be determined	Insignificant

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.

In the event of a breach of loan clauses (e.g. financial covenants) up to the balance sheet date, which entitle the creditor to demand repayment within 12 months of the balance sheet date, the liability continues to be classified as current. This also applies if the creditor waives early repayment after the reporting date.

In principle, the amendments to IFRS 16 relate to minor changes to the subsequent accounting of sale and leaseback transactions. The amendments relate in particular to sale and leaseback transactions that contain variable payments that are not dependent on an index or an interest rate.

Amendments to IAS 7 and IFRS 7 relate to new stipulated disclosures for reverse factoring arrangements. These amendments are intended to enable investors to assess the impact of these arrangements on debt, cash flows and liquidity risk.

Amendments to IFRS 10 and IAS 28 include a clarification in the area of the sale or contributions of assets between an investor and its associate/joint venture. The amendments are applicable prospectively. The mandatory date of first-time application has been postponed to a date yet to be determined after completion of the research project on the equity method.

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 companies consolidated are disclosed in Note (40) 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

Changes to the companies consolidated
In August 2023, the remaining 49.9 % of shares in VIACOR Polymer GmbH, Rottenburg/Germany, were acquired for a fixed purchase price of EUR 1,526 K. The Group had already had control of the company before the purchase of the shares. As a result of the purchase, the minority-interest shares included in equity have been reduced by EUR 608 K compared to the previous year and have been added to the majority-interest shares in the same amount.

The Russian company OOO Sto, Moscow, was sold in December 2023 for a purchase price of EUR 807 K, which resulted in income from deconsolidation of EUR 316 K.

From the acquisition of the remaining 48 % of the shares in Sto Italia Srl, Empoli/Italy in November 2022, a liability for a potential variable purchase price of EUR 6,070 K to be paid in June 2027 was recognised at the balance sheet date in addition to the fixed purchase price of EUR 10,660 K already paid.

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. Exceptions to this are the Russian rouble and the Turkish lira, whose fluctuations were, however, 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.

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 consumer price index CPI (Tüketici fiyat endeks rakamları) was used for this purpose. The value of the index applied at the balance sheet date was 1,859.38 (previous year: 1,128.45).

The accounting method chosen by the Group when applying IAS 29 is to present the combined effect of the adjustment of the opening balance resulting from the inflation adjustment in accordance with IAS 29 and the foreign currency translation in accordance with IAS 21 as a net change for the year in other earnings. This effect totalled EUR 784 K in the year under review (previous year: EUR 457 K).

The monetary loss that arises from hyperinflation accounting is included in other operating expenses.

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.

EUR 1 =		Closing rate on		Average annual rate	
		31 Dec 2023	31 Dec 2022	2023	2022
AED	United Arab Emirates	4.05920	3.92000	3.97370	3.87090
AUD	Australia	1.62630	1.56930	1.62880	1.51670
BRL	Brazil	5.36180	5.63860	5.40100	5.43990
CAD	Canada	1.46420	1.44400	1.45950	1.36950
CHF	Switzerland	0.92600	0.98470	0.97180	1.00470
CLP	Chile	965.11590	908.90190	908.40690	918.25700
CNY	People's Republic of China	7.85090	7.35820	7.66000	7.07880
COP	Columbia	4,287.35250	5,175.45740	4,730.09690	4,524.37510
CZK	Czech Republic	24.72500	24.11500	24.00400	24.56600
DKK	Denmark	7.45290	7.43650	7.45090	7.43960
GBP	Great Britain	0.86905	0.88693	0.86979	0.85276
HUF	Hungary	382.80000	400.87000	381.85000	391.29000
MXN	Mexico	18.72310	20.85600	19.18300	21.18690
MYR	Malaysia	5.07750	4.69840	4.93200	4.62790
NOK	Norway	11.24050	10.51380	11.42480	10.10260
PAB	Panama	1.10520	1.06740	1.10640	1.07820
PLN	Poland	4.34800	4.68990	4.54200	4.68610
RUB	Russia	97.65030	75.65530	92.46310	73.12060
SEK	Sweden	11.09600	11.12180	11.47880	10.62960
SGD	Singapore	1.45910	1.43000	1.45230	1.45120
TRY	Türkiye	32.65310	19.96490	25.75970	17.40880
USD	USA	1.10500	1.06660	1.08130	1.05300

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 necessary 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 is made up of the legal entities Sto SE & Co. KGaA, Stühlingen/Germany, Verotec GmbH, Lauingen/Germany, and StoCretec GmbH, Kriftel/Germany. The CGU Ströher consists of the legal entities Ströher GmbH, Dillenburg/Germany, GEPADI Fliesen GmbH, Dillenburg/Germany, and Ströher Produktions GmbH & Co. KG, Dillenburg/Germany. The CGU Sto China consists of the legal entities Shanghai Sto Ltd., Shanghai/China, Langfang Sto Building Material Co. Ltd., Langfang/China, and Wuhan Sto Building Material Co. Ltd., Wuhan/China.

A 5-year plan as at 31 December 2023 for the financial years of 2024 to 2028 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 11.3 % and 16.7 % (previous year: 9.4 % to 17.9 %).

The following pre-tax interest rates were used for CGUs Sto SE & Co. KGaA, Beissier S.A.S. and Sto Australia Pty Ltd (formerly: Unitex Australia Pty Ltd) due to their goodwill: Sto SE & Co. KGaA 13.3 % (previous year: 12.8 %), Beissier S.A.S. 14.0 % (previous year: 13.9 %), Sto Australia Pty Ltd 16.6 % (previous year: 12.0 %).

During the impairment test of the CGU, Südwest Lacke + Farben GmbH & Co. KG, a recoverable amount of EUR 16,471 K was determined. Due to an impairment of goodwill, the carrying amount of the CGU was reduced by EUR 2,780 K. The additional necessary impairment of EUR 1,017 K on the recoverable amount could not be allocated to any other assets, as the fair values of the assets of the CGU Südwest Lacke + Farben GmbH & Co. KG were higher than the respective carrying amounts.

Due to the economic development of the CGU Ströher with significant negative deviations from the turnover and margin targets, an impairment test was carried out at the level of the CGU Ströher. During this impairment test, a recoverable amount of EUR 17,227 K was determined. The carrying amount of the CGU was reduced by the impairment of the customer base and the GEPADI Fliesen GmbH brand assets totalling EUR 325 K. The additional necessary impairment of EUR 31,554 K on the recoverable amount could not be allocated to any other assets, as the fair values of the assets of the CGU Ströher are higher than the respective carrying amounts. The fair values of the material assets were determined on the basis of standard land values (in Germany: Bodenrichtwerte), comparative rents and acquisition costs in the case of property, plant and equipment and on the basis of net realisable amount in the case of inventories.

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

The pre-tax discount rate used for the cash flow forecast is 12.61 % for Südwest Lacke + Farben GmbH & Co. KG and 12.78 % for the CGU Ströher. The reason for these impairments were the lower turnover and margin expectations.

For all other CGUs, sensitivity analyses have shown that there was no need for impairment of goodwill even if the assumptions deviate. The sensitivity analyses were based on a change in the average equity costs after taxes of +0.5 percentage points and -0.5 percentage points (previous year: increase of 0.5 percentage points) and a change in turnover of +5.0 % and -5.0 % (previous year: decrease of 5.0 %).

In the previous year, a recoverable amount of EUR 9,408 K was determined during the impairment test of the CGU VIACOR Polymer GmbH. 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. In the previous year, 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 corresponded to the values in use.

The discount rate before taxes used for the cash flow forecast was 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.

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

Property, plant, and equipment
Property, plant, and equipment are recognised at acquisition or production costs less cumulative depreciation and cumulative impairments.

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 20 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.

Impairment of Intangible assets, and Property, plant, and equipment
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.

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.

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 assets and assets under construction:
- – 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.

Impairments were also recognised on the basis of overstocking in order to take account of the risk of the realisability of inventories. The range of coverage classes defined in the estimation method and the corresponding discounts were analysed in the year under review on the basis of empirical values and current developments, and the estimation method was refined to take account of the perishability of the product ranges by differentiating the range of coverage classes by type of material and defining the discount rates for each company and type of material.

The resulting effect amounts to a reduction of overstocking of EUR 7.0 million.

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 or 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 past financial year, there were no hedge relationships 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 defaults 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 probabilities determined by Creditreform.

The default probabilities for trade receivables according to IFRS 9 were determined on the one hand according to age structure ranges over 12-month periods from the immediate past and then recognised as an impairment with an effect on expenses. The default probability was calculated as the average of the largest companies in the Group for the respective age structure range and then used as the basis for the entire Group. Secondly, future macroeconomic factors, such as the forecast global economic development and the forecast for the national sales markets relevant to the Group, were also taken into account when determining the default probabilities. The default rates by maturity bands defined in the estimation method were analysed in the year under review on the basis of empirical values and current developments and adjusted to the results of the analysis. Overall, this resulted in a decline in impairments of EUR 3,122 K due to the reduced default rate in the immediate past. The default probabilities used 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.

In addition, impairments were recognised on the basis of individual impairments if there was objective, substantial evidence to suggest that such an impairment existed. Such substantial indications included, on the merits, insolvency of the debtor or a transfer to a lawyer to collect the receivable, whereby the amount of the individual impairment depended on the estimate of the respective expert.

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 statement of financial position.

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 16.5 million (previous year: EUR 15.9 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 situation. 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 situation 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 impairments were based on default rates using the general approach based on past defaults and future macroeconomic factors as well as individual impairments based on individual risks.

- **Impairment of inventories**
  Impairments were made for inventories in accordance with inventory levels in order to recognise expected losses. The impairments were based on the type of material and the respective inventory levels.

- **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 statement of financial position in the following financial year.

Group segment reporting as at 31 December 2023

Information on geographic segments by sales markets	Western Europe		Northern/Eastern Europe	
in EUR K	**2023**	**2022**	**2023**	**2022**
External revenues	1,348,385	1,405,267	164,758	177,833
Inter-segment revenues	50,454	56,525	2,651	2,634
Segment turnover	**1,398,839**	**1,461,792**	**167,409**	**180,467**
EBITDA	159,652	163,221	18,492	20,937
Depreciation/amortisation	51,188	49,346	7,760	7,919
EBIT	**108,464**	**113,875**	**10,732**	**13,018**
Interest income	10,069	1,950	1,153	392
Interest expenses	10,654	3,939	1,229	557
EBT	**107,879**	**111,886**	**10,656**	**12,853**
Segment assets	**893,753**	**833,994**	**110,605**	**110,090**
Investments	**38,538**	**39,676**	**2,142**	**1,851**
Employees as at the reference date	**4,479**	**4,394**	**600**	**617**

Segment reporting is explained in Note (32).

	America/Asia/Pacific		Reconciliation/consolidation booking entries		Group	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	204,884	204,286	0	0	1,718,027	1,787,386
	0	1	−53,105	−59,160	0	0
	204,884	**204,287**	**−53,105**	**−59,160**	**1,718,027**	**1,787,386**
	13,300	10,559	822	−208	192,266	194,509
	6,816	7,564	0	0	65,764	64,829
	6,484	**2,995**	**822**	**−208**	**126,502**	**129,680**
	2,132	747	−5,736	−1,453	7,618	1,636
	762	372	−5,736	−1,453	6,909	3,414
	7,854	**3,370**	**1,011**	**190**	**127,400**	**128,299**
	137,636	**130,260**	**22,804**	**23,362**	**1,164,798**	**1,097,706**
	5,963	**5,892**	**0**	**0**	**46,643**	**47,419**
	704	**724**	**0**	**0**	**5,783**	**5,735**

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	2023	2022
Facade systems	816,853	856,212
Facade coatings	394,258	402,040
Interior	257,671	258,940
Other product groups	249,245	270,194
Total revenues	**1,718,027**	**1,787,386**

(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	2023	2022
Income from the reversal of provisions and accrued liabilities	6,850	9,883
Income from changes in exchange rates	6,344	8,790
Proceeds from derecognised receivables	630	384
Income from the disposal of assets	903	1,925
Income from recharged expenses to third parties	48	33
Funding from the public sector	937	395
Miscellaneous operating income	12,318	7,482
Total other operating income	**28,030**	**28,892**

Income from changes in exchange rates primarily comprise exchange rate profits arising between the date of the transaction and date of payment as well as currency translation profits using closing rates.

The funding from the public sector mainly relates to subsidies from the Energy Cost Reduction Programme (EKDP) at Ströher Produktions GmbH & Co. KG in the amount of EUR 734 K.

(4) Cost of material

in EUR K	2023	2022
Raw materials, processing aids, and operating materials	383,540	434,702
Goods purchased	395,809	439,688
Total expenses for raw materials, processing aids, operating materials, and goods purchased	**779,349**	**874,390**
Temporary staff	5,165	6,059
Commission production	3,654	4,351
Total expenses for services purchased	**8,819**	**10,410**
Total expenses for materials	**788,168**	**884,800**

In particular, the cost of materials also includes subsidies totalling EUR 6,063 K as part of the energy price brakes for electricity, gas, and heat.

(5) Personnel expenses

in EUR K	2023	2022
Wages and salaries	359,057	350,588
Social security contributions	48,417	46,927
Expenses for retirement benefits, and other employee benefit costs	29,180	30,729
Total personnel expenses	**436,654**	**428,244**

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	2023	2022
Employees	5,578	5,541
Trainees	237	245
Total no. of employees	**5,815**	**5,786**

(6) Other operating expenses

in EUR K	2023	2022
Selling and marketing costs	151,413	150,848
Administration costs	67,778	61,484
Rental and lease payments including overheads	22,365	20,341
Operating costs	43,185	38,958
Losses from the derecognition of financial assets	1,469	2,555
Other staff costs	9,993	9,251
Expenses due to changes in exchange rates	8,867	10,152
Losses from the disposal of fixed assets	461	367
Miscellaneous expenses	15,375	16,231
Other operating expenses in total	**320,906**	**310,187**

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.

Operating costs include subsidies from energy price brakes for electricity, gas, and heat totalling EUR 2,302 K.

Miscellaneous expenses include a monetary loss of EUR 665 K (previous year: EUR 172 K) from hyperinflation accounting in Türkiye.

(7) Impairment (net) of financial assets

in EUR K	2023	2022
Expenses for impairments of financial assets	−9,658	−8,134
Income from the reversal of impairments for financial assets	8,170	3,828
Total impairment (net) of financial assets	**−1,488**	**−4,306**

Please refer to Note (33) 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 resulted in an impairment of the goodwill of Südwest Lacke + Farben GmbH & Co. KG in the amount of EUR 2,780 K. In the previous year, the goodwill of VIACOR Polymer GmbH was impaired by EUR 1,445 K, the goodwill of Liaver GmbH & Co. KG by EUR 1,437 K and the goodwill of the CGU Sto China by EUR 675 K.

In the year under review, due to the impairment test conducted at the CGU Ströher, impairments of Intangible assets were made at GEPADI Fliesen GmbH in the amount of EUR 325 K. Of this amount, EUR 206 K were attributable to the customer base and EUR 119 K to the brand.

In the previous year, impairments of EUR 447 K were recognised on Intangible assets at VIACOR Polymer GmbH as a result of the impairment test carried out, all of which related 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

In the year under review, earnings from financial assets accounted for using the equity method amounted to EUR 189 K (previous year: EUR 397 K).

(10) Net interest income

in EUR K	2023	2022
Other interest and similar income	7,618	1,636
Interest and similar expenses	−883	−1,009
Interest expense on pension obligations	−2,926	−1,299
Compounding interest of non-current other provisions and liabilities	−556	−118
Interest expense for leases	−2,544	−988
Total net interest income	**709**	**−1,778**

Net interest income improved compared to the previous year due to the rise in interest rates in the year under review.

(11) Taxes on income and earnings

Composition of tax expense

in EUR K	2023	2022
Actual tax expense in Germany	22,698	26,126
Actual tax expense outside of Germany	16,814	13,999
Actual tax expense	**39,512**	**40,125**
of which off-period tax expense	−60	10
Expense/income from reversal of tax liabilities (off-period)	0	−179
Actual taxes on income and earnings	**39,512**	**39,946**
Deferred tax income/expense in Germany	1,522	−1,791
Deferred tax income/expense outside of Germany	602	1,064
Deferred tax income/expense	**2,124**	**−727**
Income tax expense reported	**41,636**	**39,219**

In the 2023 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: 5.0 % to 35.0 %). Deferred taxes were measured using the tax rates valid or enacted as of the balance sheet date.

Tax loss carryforwards were valued at EUR 48,409 K (previous year: EUR 41,817 K). Tax loss carryforwards of EUR 22,300 K (previous year: EUR 21,174 K) are available for an indefinite period, while EUR 10,434 K (previous year: EUR 5,584 K) may only be utilised within five years, as well as EUR 1,524 K (previous year: EUR 2,417 K) only within ten years, and EUR 14,151 K (previous year: EUR 12,642 K) only within 20 years.

Of the tax loss carryforwards, a sum of EUR 42,585 K (previous year: EUR 29,906 K) is assumed to not be available for the time being. Of these, EUR 17,826 K (previous year: EUR 11,470 K) are available for an indefinite period, while EUR 9,833 K (previous year: EUR 3,813 K) may only be utilised within five years, as well as EUR 1,039 K (previous year: EUR 1,981 K) only within ten years, and EUR 13,887 K (previous year: EUR 12,642 K) only within 20 years.

Of the tax loss carryforwards rated available and temporary differences, EUR 4,531 K (previous year: EUR 7,857 K) were attributable to companies whose result for the year of 2023 was negative. The usability is essentially given by offsetting against taxable temporary differences.

Of deterred tax income, EUR -747 K (previous year: EUR 843 K) were attributable to temporary differences.

No deferred taxes were recognised for temporary differences of EUR 7,812 K on the profits retained by subsidiaries (previous year: EUR 9,007 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 580 K (previous year: EUR 755 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 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Intangible assets	2,010	2,248	1,354	1,181
Property, plant, and equipment	1,481	1,385	4,561	4,577
Rights of use	632	614	20,927	17,942
Non-current trade receivables	0	0	1	0
Non-current other financial assets	52	47	0	0
Non-current other assets	0	0	329	377
Inventories	1,693	2,329	446	275
Current trade receivables	1,894	2,117	491	694
Current other financial assets	3	148	1,148	461
Current other assets	329	379	263	353
Cash and cash equivalents	57	45	0	11
Special tax items	0	33	11	13
Provisions for pensions and other liabilities	12,550	10,549	286	418
Non-current other provisions	351	194	156	69
Non-current borrowings	0	0	96	187
Non-current lease liabilities	16,218	13,432	0	0
Current other provisions	1,592	1,581	480	454
Current borrowings	242	244	0	0
Current lease liabilities	4,534	4,306	0	0
Current trade payables	0	0	39	33
Current other liabilities	2,640	2,040	4	6
Loss carryforwards	1,531	2,941	0	0
Gross amount	**47,809**	**44,632**	**30,592**	**27,051**
Balancing	29,795	25,958	29,795	25,958
Balance sheet recognition	**18,014**	**18,674**	**797**	**1,093**

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 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
Non-current trade receivables	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
Currency translation effects	−123	6	−117
Deferred taxes as at 31 December 2022	**16,415**	**1,168**	**17,583**

Change in deferred taxes

in EUR K	Consideration in		Total
	Statement of profit or loss	Equity	
Deferred taxes as at 1 January 2023	**16,415**	**1,168**	**17,583**
Intangible assets	−419	0	−419
Property, plant, and equipment	88	0	88
Rights of use	−3,068	0	−3,068
Non-current trade receivables	−1	0	−1
Non-current other financial assets	4	0	4
Non-current other assets	48	0	48
Inventories	−779	0	−779
Current trade receivables	55	0	55
Current other financial assets	−601	−290	−891
Current other assets	29	0	29
Cash and cash equivalents	23	0	23
Special tax items	−30	0	−30
Provisions for pensions and similar liabilities	−5	2,119	2,114
Non-current other provisions	58	0	58
Non-current borrowings	91	0	91
Non-current lease liabilities	2,899	0	2,899
Current other provisions	0	0	0
Current borrowings	0	0	0
Current lease liabilities	245	0	245
Current trade payables	−24	0	−24
Current other liabilities	640	0	640
Loss carryforwards	−1,377	0	−1,377
Currency translation effects	−35	−36	−71
Deferred taxes as at 31 December 2023	**14,256**	**2,961**	**17,217**

Reconciliation of expected and reported income tax expense

in EUR K	2023	2022
Earnings before income taxes	127,400	128,299
Expected income tax expenses (tax rate: 29.1 %; previous year: 29.1 %)	**37,099**	**37,322**
Reconciliation: Tax-free income and permanent differences	4,891	3,968
Changes in tax rate	−62	6
Deviations of local tax rates from Group tax rate	−3,781	−2,638
Deferred tax income on tax loss carryforwards capitalised for the first time	−167	−118
Tax reduction for tax loss carryforwards not yet capitalised	−258	−88
Effects of non-recognition of tax loss carryforwards	3,974	922
Off-period taxes	−60	−171
Other effects	0	16
Income tax expense reported	**41,636**	**39,219**
Effective tax rate (%)	32.7	30.6

Global minimum level of taxation

The Sto Group falls within the scope of the OECD model regulations on a global minimum level of taxation ('Pillar 2'). The Pillar 2 legislation was adopted in Germany and came into force with the Minimum Tax Act (MinStG) on 28 December 2023. The Minimum Tax Act (MinStG) applies for the first time for financial years beginning after 30 December 2023. There is therefore no tax burden for the 2023 financial year due to the global minimum level of taxation.

According to the legislation, a supplementary tax must be paid for each jurisdiction that has an effective tax rate below 15 %: Accordingly, the Sto Group would have to pay a supplementary tax in Germany and outside of Germany in the amount of the difference between the effective tax rate per country determined according to Pillar 2 principles and the minimum tax rate of 15 % stipulated by Pillar 2.

The Sto Group makes use of the exemption from recognising deferred taxes in connection with Pillar 2 income taxes.

The effective tax rate calculated in accordance with Pillar 2 principles may differ from the effective tax rate calculated in accordance with the principles of IAS 12.86 due to adjustments specific to Pillar 2.
This can result in no additional taxes due to Pillar 2 being incurred in a country, even though the effective tax rate according to IAS 12.86 is below 15 %.
Conversely, it is also possible that additional taxes due to Pillar 2 are incurred and the effective tax rate calculated in accordance with IAS 12.86 exceeds 15 %.

For the financial years 2024 to 2026, the legislation also provides for simplification rules ('safe harbour rules'), which may result in the non-application of the aforementioned Pillar 2 principles for each country.
The Sto Group is currently in the process of assessing the impact of Pillar 2 once the legislation comes into force.

As part of the preparation of the consolidated annual financial statement, calculations were made on the basis of the 2023 financial figures to determine the effective tax rates for each country, taking into account only certain Pillar-2-specific adjustments that would have been necessary if the statutory provisions had been applied. On the basis of this assessment, only one country was identified in which the global minimum level of taxation rules would apply due to non-compliance with the safe harbour rules. Without taking consolidation effects into account, the EBT generated in this country amounts to less than 1 % of the Sto Group's EBT. The effective tax rate in accordance with IAS 12.86 in this country is 14.7 %.

Due to the complexity of the application of the legislation and the Pillar-2-specific calculations, quantitative effects cannot be reliably estimated at present and the actual effect may differ significantly from the calculations made in the consolidated annual financial statements.

We are currently working with external tax specialists to support the application of Pillar 2 legislation.

(12) 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 2023 and 31 December 2022, there were no potential shares. Hence, undiluted earnings per share correspond to diluted earnings per share.

Limited ordinary shares		
Number	**2023**	**2022**
Weighted average number of shares outstanding – basic/diluted	**3,888,000**	3,888,000

Limited preference shares		
Number	**2023**	**2022**
Weighted average number of shares outstanding – basic/diluted	**2,538,000**	2,538,000

in EUR K	**2023**	**2022**
Share of earnings attributable to the shareholders of Sto SE & Co. KGaA	86,079	90,091
Basic/diluted earnings – of which		
Limited ordinary shares	51,989	54,417
Limited preference shares	34,090	35,674

in EUR	**2023**	**2022**
Earnings per share – basic/diluted		
Limited ordinary share	13.37	14.00
Limited preference share	13.43	14.06

In the financial year of 2023, the following dividend was paid out from the earnings of 2022: 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 2023 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).

Notes on the consolidated statement of the financial position

(13) Intangible assets

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
Changes to the companies consolidated	0	0	0	0
Disposals	3,466	9,704	0	13,170
Appreciations	0	0	0	0
Transfers	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**

Changes in Intangible assets from 1 January until 31 December 2023

in EUR K	Industrial property rights and licences including software	Goodwill	Payments made on account	Total
Costs of acquisition/production				
1 January 2023	**53,555**	**56,889**	**2,913**	**113,357**
Additions	1,628	0	2,248	3,876
Changes to the companies consolidated	−7	0	0	−7
Disposals	1,326	3,557	266	5,149
Transfers	1,733	0	−1,744	−11
Exchange rate differences	−288	−151	0	−439
31 December 2023	**55,295**	**53,181**	**3,151**	**111,627**
Cumulative depreciation/amortisation and impairment losses				
1 January 2023	**38,870**	**17,812**	**0**	**56,682**
Depreciation/amortisation for the year	2,834	0	0	2,834
Impairment losses	325	2,780	0	3,105
Changes to the companies consolidated	−5	0	0	−5
Disposals	1,325	3,557	0	4,882
Appreciations	0	0	0	0
Transfers	0	0	0	0
Exchange rate differences	−91	0	0	−91
31 December 2023	**40,608**	**17,035**	**0**	**57,643**
Net carrying amount as at 31 December 2022	**14,685**	**39,077**	**2,913**	**56,675**
Net carrying amount as at 31 December 2023	**14,687**	**36,146**	**3,151**	**53,984**

Goodwill

Goodwill reported, amounting to EUR 36,146 K (previous year: EUR 39,077 K), breaks down as follows:

Cash Generating Units in EUR K	**31 Dec 2023**	**31 Dec 2022**
Sto SE & Co. KGaA	15,760	15,760
Beissier S.A.S., La Chapelle la Reine/France	3,635	3,635
Sto Australia Pty Ltd (formerly: Unitex Australia Pty Ltd), Dandenong South/Australia	3,216	3,332
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany	0	2,780
Beissier S.A.U., Errenteria/Spain	2,679	2,679
Sto Sp. z o.o., Warsaw/Poland	2,402	2,402
Sto Építöanyag 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	937	972
Miscellaneous under EUR 1,000 K	2,867	2,867
Total goodwill	**36,146**	**39,077**

(14) Property, plant, and equipment

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
Changes to the companies consolidated	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**

Changes in Property, plant and, equipment from 1 January to 31 December 2023

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 2023	**396,832**	**260,157**	**221,894**	**29,732**	**908,615**
Additions	2,443	11,151	15,586	13,587	42,767
Changes to the companies consolidated	−415	−337	−197	0	−949
Disposals	890	1,968	7,190	66	10,114
Transfers	4,492	17,567	3,641	−25,689	11
Exchange rate differences	−111	−1,663	294	−114	−1,594
31 December 2023	**402,351**	**284,907**	**234,028**	**17,450**	**938,736**
Cumulative depreciation/amortisation and impairment losses					
1 January 2023	**231,802**	**202,698**	**177,749**	**320**	**612,569**
Depreciation/amortisation for the year	10,061	11,749	13,966	0	35,776
Impairment losses	0	0	0	0	0
Changes to the companies consolidated	−185	−283	−196	0	−664
Disposals	828	1,897	6,953	0	9,678
Transfers	672	−1,910	1,238	0	0
Appreciations	0	0	0	0	0
Exchange rate differences	53	−1,353	297	−7	−1,010
31 December 2023	**241,575**	**209,004**	**186,101**	**313**	**636,993**
Net carrying amount as at 31 December 2022	**165,030**	**57,459**	**44,145**	**29,412**	**296,046**
Net carrying amount as at 31 December 2023	**160,776**	**75,903**	**47,927**	**17,137**	**301,743**

Property, plant, and equipment in the amount of EUR 29,797 K (previous year: EUR 29,438 K) are encumbered with land charges which serve to secure liabilities to banks. The value amounted to EUR 411 K (previous year: EUR 909 K).

(15) Rights of use

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
Changes to the companies consolidated	0	0	0	0	0
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**

Development of Rights of use from 1 January to 31 December 2023

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 2023	**427**	**118,375**	**950**	**29,509**	**149,261**
Additions	0	35,026	13	12,418	47,457
Changes to the companies consolidated	0	0	0	0	0
Disposals	0	7,244	217	7,027	14,488
Transfers	0	0	0	0	0
Exchange rate differences	0	−546	−1	−78	−625
31 December 2023	**427**	**145,611**	**745**	**34,822**	**181,605**
Cumulative depreciation/amortisation and impairment losses					
1 January 2023	**339**	**52,367**	**676**	**17,070**	**70,452**
Depreciation/amortisation for the year	88	16,258	173	7,530	24,049
Impairment losses	0	0	0	0	0
Changes to the companies consolidated	0	0	0	0	0
Disposals	0	4,846	215	6,719	11,780
Transfers	0	0	0	0	0
Appreciations	0	0	0	0	0
Exchange rate differences	0	−91	0	−74	−165
31 December 2023	**427**	**63,688**	**634**	**17,807**	**82,556**
Net carrying amount as at 31 December 2022	**88**	**66,008**	**274**	**12,439**	**78,809**
Net carrying amount as at 31 December 2023	**0**	**81,923**	**111**	**17,015**	**99,049**

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 2023, the carrying amount of shares accounted for using the equity method stands at EUR 2,416 K (previous year: in EUR 2,227 K).

The investment accounted for using the equity method generated a positive result of EUR 189 K. In the previous year, the investments accounted for using the equity method generated a positive result of EUR 397 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 12,046 K (previous year: EUR 14,782 K). The impairments are mainly based on overstocking.

in EUR K	**31 Dec 2023**	**31 Dec 2022**
Raw materials, processing aids, and operating materials	39,330	44,725
Work in progress	8,320	8,970
Finished products and goods	112,636	122,613
Payments made on account	1,037	2,892
Total inventories	**161,323**	**179,200**

In the reporting period and in the previous year, no inventories served as collateral for liabilities to banks.

(18) Non-current and current trade receivables

The fair values of trade receivables equal their carrying amounts. Impairments of EUR 25,002 K (previous year: EUR 26,557 K) were taken into account. Trade receivables with a carrying amount of EUR 0 K (previous year: EUR 1,688 K) serve to secure liabilities to banks. The value amounted to EUR 0 K (previous year: EUR 28 K).

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
from						
Third parties	166,078	873	166,951	171,403	1,056	172,459
Companies accounted for using the equity method	1	0	1	1	0	1
Total trade receivables	**166,079**	**873**	**166,952**	**171,404**	**1,056**	**172,460**

Please refer to Note (33) 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 126 K (previous year: EUR 160 K). Receivables from suppliers also included in the financial assets amounted to EUR 4,343 K (previous year: EUR 5,708 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 (33).

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
Other financial assets due from third parties	115,800	90,673	206,473	101,896	39,866	141,762
Other receivables and other financial assets from companies accounted for using the equity method	254	0	254	253	0	253
Positive fair value of derivative financial instruments	82	0	82	250	0	250
Total other financial assets	**116,136**	**90,673**	**206,809**	**102,399**	**39,866**	**142,265**

Please refer to Note (33) 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 3,247 K (previous year: EUR 4,232 K).

Other tax reimbursement claims include VAT reimbursement claims of EUR 6,070 K (previous year: EUR 3,961 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 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
Other third-party receivables	5,446	0	5,446	7,337	0	7,337
Other tax reimbursement claims	6,193	0	6,193	4,222	0	4,222
Prepaid expenses	13,505	1,303	14,808	13,474	1,469	14,943
Other payments made on account	993	0	993	737	0	737
Total other assets	**26,137**	**1,303**	**27,440**	**25,770**	**1,469**	**27,239**

(21) Cash and cash equivalents

in EUR K	**31 Dec 2023**	**31 Dec 2022**
Credit balances with banks	121,842	118,975
Cheques, cash in hand	436	448
Total cash and cash equivalents	**122,278**	**119,423**

Cash and cash equivalents include impairments due to IFRS 9 of EUR 270 K (previous year: EUR 251 K).

Please refer to Note (33) 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 2023, 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 2023 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 2023, 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 2023 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 totalled EUR 69,827 K (previous year: EUR 62,259 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 37,000 K (previous year: EUR 30,000 K) as revenue reserves and to carry the remaining amount of EUR 930 K (previous year: EUR 362 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 2023	31 Dec 2022	Change in %
Equity attributable to the shareholders of Sto SE & Co. KGaA	**729,267**	**683,964**	**6.6 %**
Current borrowings	2,615	4,058	−35.6 %
Non-current borrowings	20	932	−97.9 %
Less cash and cash equivalents	122,278	119,423	2.4 %
Net assets	**119,643**	**114,433**	**4.6 %**
% of equity	16.4 %	16.7 %	
Equity ratio	62.6 %	62.4 %	
Return on Capital Employed (ROCE)*	**17.1 %**	**17.3 %**	

* 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 2023, the equity attributable to the shareholders of Sto SE & Co. KGaA rose by 6.6 % 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. In the meantime, the first extension option has been utilised, meaning that the term is currently agreed until April 2028. 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, Klaipėda/Lithuania. In the previous year, there were additional shares of minority interests in VIACOR Polymer GmbH, Rottenburg am Neckar/Germany. 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 135,193 K (previous year: EUR 121,891 K) were netted against the fair value of the plan asset of EUR 43,712 K (previous year: EUR 39,807 K). Pension provisions amounted to EUR 91,481 K (previous year: EUR 82,084 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 1,225 K (previous year: EUR 1,224 K). Contributions to statutory pension funds came to EUR 24,801 K (previous year: EUR 23,831 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	2023	2022
Pension plan of the Euro companies	88,568	79,231
Pension plan of Sto AG, Switzerland	2,913	2,853
Total	**91,481**	**82,084**

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 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**
Employer contributions	**0**	**201**	**−201**
As at 31 December 2022	**87,805**	**8,574**	**79,231**

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 2023	**87,805**	**8,574**	**79,231**
Current service cost	2,359	0	2,359
Interest expense/income	3,166	306	2,860
Expenses for/income from pension obligations recognised through profit or loss	**5,525**	**306**	**5,219**
Pension benefits paid	**−2,940**	**−365**	**−2,575**
Actuarial gains and losses from changes in demographic assumptions	174	0	174
Actuarial gains and losses from changes in financial assumptions	7,494	340	7,154
Experience-based adjustments	−415	0	−415
Profit/loss from reassessment recognised in other earnings	**7,253**	**340**	**6,913**
Employer contributions	**0**	**220**	**−220**
As at 31 December 2023	**97,643**	**9,075**	**88,568**

The change in the actuarial gains and losses from changes to financial assumptions in comparison to the previous year is primarily due to the decline in the discount rate from 3.67 % to 3.23 %.

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 173 K (previous year: EUR 154 K).

The calculation of pension provisions was based on the following assumptions.

Germany

	2023	2022
Discount rate as at 31 December in %	3.23	3.67
Future pension increases in %	2024: 5.90 from 2025: 2.10	2023 and 2024: 5.20 from 2025: 2.00
Age of retirement in years	65	65

Outside of Germany

	2023	2022
Discount rate as at 31 December in %	3.23	3.67
Future pension increases in %	2.10	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 17.16 years (previous year: 16.05 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 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 financial assumptions	−5,804	−4,851	−953
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**

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 2023	**34,086**	**31,233**	**2,853**
Currency differences	**2,222**	**2,047**	**175**
Current service cost	951	0	951
Interest expense/income	794	728	66
Past service costs	−424	0	−424
Expenses for/income from pension obligations recognised through profit or loss	**1,321**	**728**	**593**
Pension benefits paid	**−3,757**	**−3,757**	**0**
Actuarial gains and losses from changes in financial assumptions	1,428	700	728
Experience-based adjustments	24	0	24
Profit/loss from reassessment recognised in other earnings	**1,452**	**700**	**752**
Employer contributions	**0**	**1,460**	**−1,460**
Employee contributions	**2,226**	**2,226**	**0**
As at 31 December 2023	**37,550**	**34,637**	**2,913**

The change in the actuarial gains and losses from changes to financial assumptions in comparison to the previous year is primarily due to the decline in the discount rate from 2.30 % to 1.50 %.

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.

The contributions to the plan assets for the following financial year are expected to amount to EUR 1,514 K (previous year: EUR 1,384 K).

The calculation of pension provisions of Sto AG, Switzerland, was based on the following assumptions:

Switzerland

	2023	2022
Discount rate as at 31 December in %	1.50	2.30
Future salary increases in %	1.20	1.20
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 10.50 years at the end of the reporting period (previous year: 10.10 years).

The following shows a quantitative sensitivity analysis of the most important assumptions as at 31 December 2023:

Effects on the defined benefit obligation of the Euro countries

in EUR K	31 Dec 2023	31 Dec 2022
Discount rate		
Decline by 0.5 %	8,305	7,724
Increase by 0.5 %	−7,412	−6,858
Pensions		
Decline by 1.0 %	−9,610	−7,500
Increase by 1.0 %	10,532	8,673
Life expectancy		
Decrease by 1 year	−3,097	−2,711
Increase by 1 year	2,927	2,454
Retirement age		
Decrease by 1 year	2,175	1,948
Increase by 1 year	−2,393	−2,275

Effects on the defined benefit obligation of Sto AG Switzerland

in EUR K	31 Dec 2023	31 Dec 2022
Discount rate		
Decline by 0.5 %	1,863	1,815
Increase by 0.5 %	−1,674	−1,637
Salary adjustments		
Decline by 0.5 %	−113	−141
Increase by 0.5 %	146	142
Life expectancy		
Decrease by 1 year	−318	−272
Increase by 1 year	304	259

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 2023.

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 2023	as at 31 Dec 2022
Within the next 12 months	6,453	6,776
Between 1 and 5 years	24,543	26,400
Between 5 and 10 years	43,301	44,058
Expected disbursements within the next 10 years	**74,297**	**77,234**

(25) Non-current and current other provisions

in EUR K	Human resources division	Production division	Sales division	Miscellaneous provisions	Total
As at 1 January 2022	**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
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**
As at 1 January 2023	**6,086**	**2,373**	**36,917**	**3,353**	**48,729**
Currency differences	−34	0	43	−6	3
Consumption	−1,283	−977	−5,847	−1,228	−9,335
Additions/formation	2,578	943	7,506	1,882	12,909
Compounding of interest	139	9	280	2	430
Reversal	−453	−14	−4,914	−715	−6,096
As at 31 December 2023	**7,033**	**2,334**	**33,985**	**3,288**	**46,640**
of which current	**3,463**	**1,375**	**22,557**	**2,788**	**30,183**
of which non-current	**3,570**	**959**	**11,428**	**500**	**16,457**

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 9,887 K (previous year: EUR 11,564 K), the most significant individual provision within warranty provisions is contrasted by an insurance refund claim of EUR 3,247 K (previous year: EUR 4,232 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 2022**
Liabilities to banks	1,548	904	2,452
Other borrowings	2,510	28	2,538
Total borrowings	**4,058**	**932**	**4,990**

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2023**
Liabilities to banks	916	20	936
Other borrowings	1,699	0	1,699
Total borrowings	**2,615**	**20**	**2,635**

(27) Non-current and current lease liabilities

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2022**
Liabilities from leases	19,798	60,693	80,491

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2023**
Liabilities from leases	21,855	79,114	100,969

The current and future payments from lease liabilities can be seen in the following tables:

in EUR K	2022	up to 1 year	1–5 years	>5 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

in EUR K	2023	up to 1 year	1–5 years	>5 years	31 Dec 2023
Lease payments	25,934	24,876	65,353	21,588	111,817
Interest portions	2,544	3,021	5,640	2,187	10,848
Carrying amount/present value of lease liabilities	**23,390**	**21,855**	**59,713**	**19,401**	**100,969**
Payments for current leases	10,914	1,383	0	0	1,383
Payments for small-ticket leases	1,026	181	138	0	319

Total lease payments in the current year amounted to EUR 37,874 K (previous year: EUR 33,649 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	2023	2022
From extension and termination options	5,062	5,798
From contracts not yet active	8,831	2,095

Current earnings include the following additional expenses relating to leases:

in EUR K	2023	2022
Expenses for short-term leases	10,914	9,434
Expenses for small-ticket leases	1,026	768
Expenses (income) from variable lease payments	−162	48
Amortisation of rights of use	24,049	22,859

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 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
from						
Third parties	67,461	202	67,663	67,079	0	67,079
Companies accounted for using the equity method	324	0	324	59	0	59
Total trade payables	**67,785**	**202**	**67,987**	**67,138**	**0**	**67,138**

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 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
Negative fair values of derivative financial instruments	1,467	0	1,467	772	0	772
Miscellaneous other financial liabilities						
towards customers	28,125	0	28,125	28,307	0	28,307
towards employees	1,340	0	1,340	1,413	0	1,413
Other	14,318	6,302	20,620	15,814	4,798	20,612
Total other financial liabilities	**45,250**	**6,302**	**51,552**	**46,306**	**4,798**	**51,104**

As in the previous year, the negative fair value of derivative financial instruments resulted from currency hedging transactions explained in Note (33) in more detail.

(30) Non-current and current other liabilities

in EUR K	current	non-current	**Carrying amount as at 31 Dec 2023**	current	non-current	**Carrying amount as at 31 Dec 2022**
Advance payment received on orders	3,369	0	3,369	4,896	0	4,896
Miscellaneous liabilities						
from other taxes	10,694	0	10,694	11,778	0	11,778
social security liabilities	5,127	0	5,127	5,249	0	5,249
towards employees	33,054	279	33,333	35,217	460	35,677
Other	7,964	13	7,977	7,859	18	7,877
Total other liabilities	**60,208**	**292**	**60,500**	**64,999**	**478**	**65,477**

Other disclosures

(31) 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 situation 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 the balance sheet items analysed for the statement of cash flows cannot be directly derived from the Statement of financial situation on account of non-cash currency translation effects and other non-cash transactions.

The following overview shows the changes in the liabilities from financing activities.

in EUR K	**1 January 2022**	Cash flows	New leases	Reclassification of maturity	Currency translation effects	**31 December 2022**
Current interest-bearing loans	8,240	−5,163	0	982	−1	4,058
Non-current interest-bearing loans	1,915	0	0	−982	−1	932
Total interest-bearing loans	**10,155**	**−5,163**	**0**	**0**	**−2**	**4,990**
Current lease liabilities	20,406	−22,459	2,515	20,377	−1,041	19,798
Non-current lease liabilities	67,209	0	14,517	−20,377	−656	60,693
Total lease liabilities	**87,615**	**−22,459**	**17,032**	**0**	**−1,697**	**80,491**
Total liabilities from financing activities	**97,770**	**−27,622**	**17,032**	**0**	**−1,699**	**85,481**

in EUR K	**1 January 2023**	Cash flows	New leases	Reclassification of maturity	Currency translation effects	**31 December 2023**
Current interest-bearing loans	4,058	−2,353	0	911	−1	2,615
Non-current interest-bearing loans	932	0	0	−911	−1	20
Total interest-bearing loans	**4,990**	**−2,353**	**0**	**0**	**−2**	**2,635**
Current lease liabilities	19,798	−23,390	4,180	21,841	−574	21,855
Non-current lease liabilities	60,693	0	40,568	−21,841	−306	79,114
Total lease liabilities	**80,491**	**−23,390**	**44,748**	**0**	**−880**	**100,969**
Total liabilities from financing activities	**85,481**	**−25,743**	**44,748**	**0**	**−882**	**103,604**

(32) 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. In EBT, the elimination of inter-segment results, income from investments of the company accounted for using the equity method of EUR 189 K as well as the deconsolidation result of OOO Sto, Moscow/Russia of EUR 316 K were recognised in the consolidation column. In the previous year, 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.

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, impairment tests at Südwest Lacke + Farben GmbH & Co. KG and GEPADI Fliesen GmbH resulted in necessary impairments on intangible assets of EUR 2,780 K and EUR 325 K respectively in the Western Europe segment. In the previous year, 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.

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 4,790 K (previous year: EUR 4,688 K), and Deferred tax assets in the amount of EUR 18,014 K (previous year: EUR 18,674 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 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**

in EUR K	Germany	France	Others	**Total in 2023**
External revenues	716,090	199,018	802,919	**1,718,027**
Intangible assets, Property, plant and, equipment, and Rights of use	258,513	33,993	162,270	**454,776**

(33) Further information on financial instruments

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)

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**	Financial instruments				
			Amortised costs of acquisition		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	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

Reconciliation of balance sheet items with financial instrument categories 2023

in EUR K	Measurement category in accordance with IFRS 9	**Carrying amount 31 Dec 2023**	Financial instruments				
			Amortised costs of acquisition		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	166,952	166,952	166,952	0	0	0
Other financial assets							
Other investments	FVTPL	4	0	0	4	0	0
Holding and trading of financial investments	FVOCI	152,419	0	0	152,419	0	0
Derivative assets without hedge relationship	FVTPL	82	0	0	82	0	0
Miscellaneous other financial assets	FAAC	7,206	7,206	7,206	0	0	0
Other financial assets – Associated companies	FAAC	254	254	254	0	0	0
Financial investments	FAAC	46,844	46,844	45,772	0	0	0
Total other financial assets		206,809	54,304	53,232	152,505	0	0
Cash and cash equivalents	FAAC	122,278	122,278	122,278	0	0	0
Equity and liabilities							
Borrowings	FLAC	2,635	2,635	2,628	0	0	0
Lease liabilities	NA	100,969	0	0	0	100,969	0
Trade payables	FLAC	67,987	67,987	67,987	0	0	0
Other financial liabilities							
Derivative liabilities without hedge relationship	FLTPL	1,467	0	0	1,467	0	0
Miscellaneous other financial liabilities	FLAC	50,085	50,085	50,085	0	0	0
Total other financial liabilities		51,552	50,085	50,085	1,467	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 2023**	**31 Dec 2022**
Financial assets at fair value through profit or loss (FVTPL)	86	254
Financial assets at amortised cost (FAAC)	343,534	367,584
Financial assets measured at fair value with no impact on profit or loss (FVOCI)	152,419	66,310
Financial liabilities at amortised cost (FLAC)	120,707	122,460
Financial liabilities at fair value through profit or loss (FLTPL)	1,467	772

Fair value hierarchy of financial assets and liabilities measured at fair value

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**

in EUR K	31 Dec 2023	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
· Derivatives with no hedge relationship	82	0	82	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	152,419	152,419	0	0
Financial assets measured at fair value	**152,505**	**152,419**	**82**	**4**
Financial liabilities measured at fair value through profit or loss				
· Derivatives with no hedge relationship	1,467	0	1,467	0
Financial liabilities measured at fair value	**1,467**	**0**	**1,467**	**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.

The following table shows the carrying amounts and fair values of the financial instruments as at 31 December 2023, excluding financial instruments which typically barely differ between carrying amount and fair value:

in EUR K	**Carrying amount 31 Dec 2023**	Fair value 31 Dec 2023	Fair-value level
Other financial assets			
Non-current			
Investments	4	4	Level 3
Loans	2	2	Level 2
Financial investments (FVOCI)	61,448	61,448	Level 1
Financial investments (FAAC)	27,585	26,603	Level 2
Various other financial assets	1,634	1,634	Level 2
Total non-current other financial assets	**90,673**	**89,691**	
Current			
Financial investments (FVOCI)	90,971	90,971	Level 1
Financial investments (FAAC)	19,259	19,169	Level 2
Forward exchange contracts	82	82	Level 2
Various other financial assets	5,824	5,824	Level 2
Total current other financial assets	**116,136**	**116,046**	
Total other financial assets	**206,809**	**205,737**	
Other financial liabilities			
Non-current			
Borrowings	20	20	Level 2
Various other financial liabilities	6,302	6,302	Level 2
Total non-current other financial liabilities	**6,322**	**6,322**	
Current			
Borrowings	2,615	2,608	Level 2
Forward exchange contracts	1,467	1,467	Level 2
Various other financial liabilities	43,783	43,783	Level 2
Total current other financial liabilities	**47,865**	**47,858**	
Total other financial liabilities	**54,187**	**54,180**	

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.

Net earnings from financial instruments categorised in accordance with IFRS 9

The following table shows the net earnings of the financial instruments by measurement categories:

in EUR K	2023	2022
Assets		
Financial assets at fair value through profit or loss (FVTPL)	1,365	644
Financial assets measured at fair value with no impact on profit or loss (FVOCI)	−158	57
Financial assets at amortised cost (FAAC)	−417	−6,436
Equity and liabilities		
Financial liabilities at amortised cost (FLAC)	−2,161	−313
Financial liabilities at fair value through profit or loss (FLTPL)	−3,565	−1,759

Net earnings 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

The following table shows the total interest income and expenses of the financial instruments. All interest is attributable to financial receivables and financial liabilities, which are measured at amortised acquisition costs.

in EUR K	2023	2022
Interest income	4,509	1,499
Interest expenses	3,432	1,724
Net interest income	**1,077**	**−225**

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 2022		
in EUR K	Nominal volume	Total market value
Currency forwards	52,069	−522
Total derivative financial instruments	**52,069**	**−522**

31 Dec 2023		
in EUR K	Nominal volume	Total market value
Currency forwards	61,032	−1,385
Total derivative financial instruments	**61,032**	**−1,385**

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 increase in the nominal volume in a functional currency in case of foreign currency forwards is based on an increased hedging volume of payments outside the functional currency.

As a rule, the residual maturity of the currency derivatives lies within a year.

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 126.2 million (previous year: EUR 130.3 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 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**

Cash outflows as at 31 December 2023				
in EUR K	up to 1 year	1–5 years	5–10 years	**31 Dec 2023**
Borrowings	2,684	20	0	2,704
Trade payables	67,792	202	0	67,994
Other financial liabilities	43,903	6,615	0	50,518
Derivatives	60,820	0	0	60,820
Total cash outflows	**175,199**	**6,837**	**0**	**182,036**

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 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**

Cash inflows/outflows as at 31 Dec 2023				
in EUR K	up to 1 year	1–5 years	5–10 years	**Total**
Inflow	59,435	0	0	59,435
Outflow	60,820	0	0	60,820
Balance	**−1,385**	**0**	**0**	**−1,385**

The amounts correspond to the un-discounted cash flows. The payments can be processed on a gross or net basis.

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.

Development of impairment of the financial instruments measured at amortised acquisition costs

in EUR K	Receivables Deliveries and services	Other financial assets (FAAC)
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**

in EUR K	Receivables Deliveries and services	Other financial assets (FAAC)
As at 1 January 2023	**26,557**	**411**
Exchange rate differences	125	−6
Additions	9,441	59
Consumption	−3,019	0
Reversals	−8,102	−68
As at 31 December 2023	**25,002**	**396**

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 191,954 K (previous year: EUR 199,016 K) less individual impairments of EUR 20,923 K (previous year: EUR 20,246 K) based on gross receivables of EUR 22,501 K (previous year: EUR 24,297 K), recoverable VAT of EUR 23,383 K (previous year: EUR 23,669 K), held securities from customers of EUR 3,804 K (previous year: EUR 10,143 K) as well as credit-insured contributions of EUR 28,148 K (previous year: 29,664 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 114,118 K remained (previous year: EUR 111,243 K), which formed the basis for recognising provisions for loss of EUR 4,079 K (previous year: EUR 6,311 K).

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	2.00 %	3.00 %	6.00 %	12.00 %	15.00 %	20.00 %	26.00 %	85.00 %	95.00 %	
Provisions for loss	1,615	441	336	308	224	400	313	798	1,876	**6,311**

IFRS 9 Provisions for loss on trade receivables using the general approach as at 31 December 2023:

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	81,308	15,489	5,437	2,137	1,695	2,026	2,374	2,185	1,467	**114,118**
Risk coefficient	0.12 %	1.52 %	3.85 %	6.70 %	9.30 %	13.82 %	22.44 %	53.84 %	85.00 %	
Provisions for loss	98	235	209	143	158	280	533	1,176	1,247	**4,079**

Taking into account all impairments of EUR 25,002 K (previous year: EUR 26,557 K), this resulted in amortised acquisition costs of EUR 166,952 K (previous year: EUR 172,459 K).

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

IFRS 9 Provisions for loss on other financial assets and cash and cash equivalents as at 31 December 2023:

in EUR K	Basis of assessment	Discount in %	**Provisions for loss**
Financial investments, and cash and cash equivalents (FAAC)	169,495	0.22 %	373
Financial investment at fair value OCI (FVOCI)	152,419	0.13 %	198
Other financial assets – Associated companies (FAAC)	254	0.10 %	0
Other financial assets – Third parties (FAAC)	7,220	0.19 %	14

The total impairment expense, including individual impairments, amounts to EUR 9,441 K (previous year: EUR 8,011 K) for Trade receivables and to EUR 59 K (previous year: EUR 117 K) for other financial assets (FAAC). As in the previous year, all impairment expenses are still in the process of being recovered.

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, NOK/EUR, SEK/EUR, PLN/EUR, CHF/EUR, GBP/EUR, and AUD/EUR. 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 main currency risk resulted from the change in assets and liabilities in non-functional currencies of the currency pairs CAD/EUR and USD/EUR. If the Canadian dollar had been valued 10 % higher or lower against the euro, earnings before taxes would have been EUR 454 K higher or EUR 371 K lower respectively. If the US dollar had been valued 10 % higher or lower against the euro, earnings before taxes would have been EUR 225 K higher or EUR 184 K lower.

In the previous year, the essential currency risk resulted from the change in the assets and liabilities in the non-functional currency pair CNY/EUR. If the Chinese Renmimbi had been valued 10 % higher or lower against the euro, earnings before taxes would have been EUR 34 K higher or EUR 28 K lower respectively.

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 2023 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.

(34) Contingencies

in EUR K	2023	2022
Guarantees from the Sto Group to third parties	598	666
Reserve liability to cooperatives	1	1
Total contingencies	**599**	**667**

In the case of the default guarantees or contingency of EUR 599 K (previous year: EUR 667 K), no liability is expected to arise.

(35) 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.

(36) Other financial obligations

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**

in EUR K	31 Dec 2023	Maturity		
		within one year	between 1 – 5 years	after 5 years
Liabilities from maintenance contracts	5,721	3,645	2,076	0
Acceptance obligations	42,245	30,654	11,583	8
Other obligations	4,125	1,932	2,186	7
Total other financial obligations	**52,091**	**36,231**	**15,845**	**15**

Of the acceptance obligations, an amount of EUR 11,761 K (previous year: EUR 12,780 K) relates to items of tangible fixed assets. Furthermore, acceptance obligations relating to inventories as well as other acceptance obligations exist.

(37) Auditors’ fees

The total fee charged for services provided by the Group auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany, and the global PwC network is as follows:

in EUR K	2023		2022	
	PwC worldwide	thereof Germany	PwC worldwide	thereof Germany
Auditing services	1,187	727	1,063	646
Tax consulting services	0	0	0	0
Other certification services	98	90	118	108
Other services	0	0	0	0
Auditors’ fees in total	**1,285**	**817**	**1,181**	**754**

The auditing services primarily related to the statutory audits of the annual financial statement and consolidated financial statements of Sto SE & Co. KGaA as well as various audits of the annual financial statements of its subsidiaries. The services rendered for other certification or valuation activities mainly included legally or contractually required certifications of the auditor.

(38) Events after the balance sheet date

With effect from 1 April 2024, Sto SE & Co. KGaA acquired the New Zealand sales partner Stoanz Ltd, Wellington, with 23 employees.

Between the end of the financial year of 2023 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 Group.

(39) 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 2023, 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	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Inotec GmbH, Waldshut-Tiengen/Germany	47.5 %	25	25	4,317	4,330	255	253	324	59
STO Management SE, Stühlingen/Germany		963	538	6,029	5,408	138	65	3,970	3,932
Stotmeister Beteiligungs GmbH, Stühlingen/Germany		62	51	0	0	45	32	0	0
Other		0	0	333	265	0	0	33	23

(40) List of subsidiaries and investments as at 31 December 2023

Fully consolidated companies in Germany

Capital share in %	2023	2022
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	100	50.1

For changes in 2023, please refer to Section 4. 'Companies consolidated' within the chapter 'General information'.

Fully consolidated companies outside of Germany

Capital share in %	2023	2022
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/Spain	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	100
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
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 Épitöanyag 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
Sto Yapı Sistemleri Sanayi ve Ticaret A.Ş., Istanbul/Türkiye	100	100
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
Sto Australia Pty Ltd, Dandenong South/Australia (formerly: Unitex Australia Pty Ltd, Dandenong South/Australia)	100	100
ACN 638 144 082 Pty Ltd, Dandenong South/Australia (formerly: 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 2023, please refer to Section 4. 'Companies consolidated' within the chapter 'General information'.

Companies accounted for using the equity method

Capital share in %	2023	2022
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.

(41) Deutsche Corporate Governance Kodex (German Corporate Governance Code)

On 14 December 2023, 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 18 December 2023, 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).

(42) 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 2023 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 4,077 K (previous year: EUR 3,951 K). The long-term-incentive payments, which are also due in the short term, amounted to EUR 338 K (previous year: EUR 448 K). Current and non-current payments amounted to a total of EUR 4,415 K* (previous year: EUR 4,399 K). Expenses for future benefits after terminating the employment relationship (current service cost) amounted to EUR 409 K (previous year: EUR 322 K). Remunerations for the Executive Board of STO Management SE thus totalled EUR 4,824 K (previous year: EUR 4,721 K). Another part of the expense allowance for STO Management SE was the remuneration of the Supervisory Board of STO Management SE for the 2023 financial year in the amount of EUR 195 K (previous year: EUR 178 K).

As at 31 December 2023, the non-current financial liabilities for the current members of the Executive Board of STO Management SE amounted to EUR 78 K (previous year: EUR 43 K). Furthermore, there are current financial liabilities in the amount of EUR 2,534 K (previous year: EUR 2,691 K). As at 31 December 2023, pension provisions for former members of the Executive Board were valued at EUR 2,177 K (previous year: EUR 1,765 K) due to offsetting against plan assets. Remuneration paid to former members of the Executive Board and the Supervisory Board came to EUR 422 K (previous year: EUR 466 K).

In the 2023 financial year, remunerations of the Supervisory Board of Sto SE & Co. KGaA totalled EUR 648 K (previous year: EUR 592 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 2023 financial year (personally liable partner of Sto SE & Co. KGaA):

Rainer Hüttenberger
Spokesman of the Executive Board (since 1 January 2024: Chief Executive Officer), 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
Member of the Executive Board (since 1 January 2024: Deputy Chief Executive Officer), responsible for Sales Sto Brand Germany, Distribution, Marketing Communications, Sustainability, and Central Services
Bonndorf/Germany, Ing.-Päd. (TU)
Member of the Administrative Board of Beissier S.A.U., Errenteria/Spain

Jan Nissen
Chief Technology Officer, responsible for Process Engineering, Innovation, Materials Management, and Logistics
Bad Dürrheim/Germany, Bachelor of Science
Chairperson of the Advisory Board 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 (until 31 December 2023), responsible for Finance, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service
Bad Dürrheim/Germany, Dipl.-Betriebswirt (BA)
Member of the Supervisory Board of Nexus AG, Donaueschingen/Germany

Désirée Konrad
Deputy Chief Financial Officer
(1 September 2023 – 31 December 2023, since 1 January 2024: Chief Financial Officer), responsible for Finance, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service
Horb am Neckar/Germany, Bachelor of Arts, MBA, Master in Finance

Members of the Supervisory Board of Sto SE & Co. KGaA in the financial year of 2023:
* 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
Gelsenkirchen/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 since 14 June 2017
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 Secondary Private Equity AG, Sarnen/Switzerland

Thade Bredtmann*
Member of the Supervisory Board since 22 June 2022
Member of the Audit Committee
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, 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 Süd Deutsche Bank, Munich/Germany

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 Kassel/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 since 14 June 2017
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 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

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

Dr Kirsten Stotmeister
Member of the Supervisory Board since 22 June 2022
Member of the Audit Committee
Member of the Finance Committee
Member of the Nomination Committee
Waldshut-Tiengen/Germany
Family Office Head of Finances/Treasury
OTS Vermögensverwaltungs GmbH, Stühlingen/Germany
Member of the Supervisory Board of STO Management SE, Stühlingen/Germany

Members of the Supervisory Board of STO Management SE in the 2023 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
Bretzfeld-Weißlensburg/Germany

Maria H. Andersson
Munich/Germany

Dr Renate Neumann-Schäfer
Überlingen/**Germany**

Gerd Stotmeister
Allensbach/Germany

Dr Kirsten Stotmeister
Waldshut-Tiengen/**Germany**

Stühlingen/Germany, 2 April 2024

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

Rainer Hüttenberger
(Chief Executive Officer)

Michael Keller
(Deputy Chief Executive Officer)

Jan Nissen

Désirée Konrad

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 2023, 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 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Sto SE & Co. KGaA for the financial year from 1 January to 31 December 2023. 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 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, 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 man-agement report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reserva-tions relating to the legal compliance of the consolidated financial statements and of the group man-agement 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 2023. 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 sepa-rate 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 36.1 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 2.8 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.

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 33.7 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 9.9 million is included in the reported warranty provisions. This is offset by insurance reimbursement claims totaling EUR 3.2 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 busi-ness 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-2023-12-31.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 2023 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: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

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 docu-ments 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 21 June 2023. We were engaged by the supervisory board on 31 October 2023. 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, 10 April 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Kai Mauden)	(sgd. Marco Fortenbacher)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(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, 2 April 2024

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

Rainer Hüttenberger
(Chief Executive Officer)

Michael Keller
(Deputy Chief Executive Officer)

Jan Nissen

Désirée Konrad

Financial calendar 2024

Electronic publication of the 2023 annual financial statements
29 April 2024

Interim report within the first half of 2024
8 May 2024

Annual General Meeting 2024
19 June 2024

Report on the first half of 2024
29 August 2024

Interim report within the second half of 2024
19 November 2024

Electronic publication of the 2024 annual financial statements
30 April 2025

The annual financial statement of Sto SE & Co. KGaA (German Commercial Code, HGB) is available in electronic form at the website of the companies register www.unternehmensregister.de. In addition, it is published on the website www.sto.de or may be requested in writing by post:

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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.

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