

Speech by Rainer Hüttenberger,
Spokesman of the Executive Board
of STO Management SE, Stühlingen,
acting for Sto SE & Co. KGaA, Stühlingen,
at the Annual General Meeting
held on 16 June 2021

- The spoken word applies -

Chart 1: Initial chart

Ladies and Gentlemen,

On behalf of the Executive Board, I would like to wish you a very warm welcome to this, the second Sto SE & Co. KGaA Annual General Meeting to be held virtually.

The coronavirus pandemic is still affecting not just this event, but many aspects of our everyday lives. And the Sto workforce is no exception – our employees have had exceptional demands placed on them for over a year now. Their efforts bring to mind these fitting words from former West German Chancellor Helmut Schmidt: “Character is revealed in a crisis.” When the Great Flood of 1962 hit Hamburg, where he was Interior Minister at the time, Schmidt saved thousands of people from catastrophe with his determined actions. The completely new and onerous challenges society must face as a result of the coronavirus pandemic have overcome us in much the same way as a flood – and our employees really have revealed their fantastic character during this global crisis. They have been courageous in their commitment to making things work; they have supported one another; and they have shown the necessary patience, improvisation skills, and, ultimately, a willingness to put their own needs to one side. And it is thanks to this extraordinary team spirit that we were able to close out 2020 with excellent earnings. We are enormously grateful to the entire Sto Group workforce, all of whom have our greatest respect!

Before I delve into the details of the 2020 annual financial statement, I would like to tell you about what we were up against this past fiscal year – and it will come as no surprise that COVID-19 dominated everything. I would also like to take this opportunity to present to you the key outcomes from our strategy review and some of the initiatives that have grown out of it. Then, in conclusion, I will move on to our forecast for 2021.

Chart 2: The COVID-19 pandemic

Ladies and gentlemen, ever since its outbreak, the coronavirus pandemic has been one thing above all else: unpredictable. And as a result, it proved extremely difficult to make plans throughout the whole course of 2020. Although we reckoned with a long storm and prepared for many different scenarios right from the outset, the most important thing was for us to be flexible and show we could adapt to new situations quickly, no matter where in the world they arose.

As you know, the pandemic progressed in waves and with huge regional variations. When last year's Annual General Meeting was held, the most severely affected places alongside China were countries like Italy, France, and Spain, as well as Southeast Asia. The bad news kept on coming from those parts of the world almost daily during the second quarter, before the pandemic then gradually moved across the rest of the planet, taking hold in different regions at different times. We had to cope with some dramatic declines in turnover because many countries not only put a stop to public life, but to all work on construction sites as well.

The restrictions in our core market of Germany were much less stringent in comparison, since construction sites have remained operational here throughout. But domestic business did not develop as well as we had originally planned either and we still had to overcome obstacles and project delays.

So, how did we respond? We put an action plan in place immediately and, thanks to this and the incredible efforts of our team, we were able to keep the core Sto Group processes, especially those involved in order processing and project management, running non-stop. That sounds straightforward but, given the circumstances, it did sometimes prove an enormous challenge. Limits on face-to-face contact and travel restrictions made it especially difficult to support customers on site, while a great deal of time and effort went into performing all sales activities and maintaining supply chains. Our contingency plan meant we were able to deliver reliably, but we did have to consistently focus our resources on those core processes. All projects, investments, and

even planned new appointments were therefore put under the microscope and postponed or cancelled if necessary. At the same time, we analysed the assistance programmes offered in each country and the potential cost savings that could be realised in the various Sto companies.

Chart 3: The COVID-19 pandemic

But not everything was about slowing down: some things actually sped up considerably during this pandemic year. Our digital devices, for example, proved to be a godsend in coping with the restrictions on contact that the coronavirus ushered in – I think that is one thing we can all agree on. And at Sto, too, digital means of communication were vital in keeping our work procedures running. Our digital communications rely on cloud-based software, which we thankfully had already introduced in almost all our Group companies pre-pandemic. Our employees can use this software to access and edit all their important data any time, any place.

During the 2020 fiscal year, we mostly kept in contact with our companies and business partners all over the world by virtual means too. Video conferences and digital team meetings are now commonplace – even trade fairs and international events such as our annual Managing Directors’ Conference were organised online and delivered virtually.

Ultimately, digitisation at Sto affects all essential processes - within the company, towards customers and towards partners. The implementation has been taking place since 2019 in the form of a programme with many individual digitisation modules and a large number of projects. Some of these have already been completed: In addition to the aforementioned digitisation of office workstations, these include, for example, our new website, an internal Sto portal for the self-management of personnel data, our new intranet with expanded functionalities, and the automated creation of customer orders in order management. The current focus is on processes in sales, marketing, customer service, and production planning and control. 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.

Chart 4: Sto Group 2020

In spite of the considerable workloads, limitations, and changes we had to deal with, the Sto Group was able to generate organic growth and achieve excellent earnings in 2020. In total, consolidated turnover was up by 2.5 % to EUR 1,433 million and consolidated earnings before interest and taxes increased by 40.6 % to EUR 120.8 million. There were three main factors apart from the coronavirus that influenced how Sto Group business developed.

First of all, we had favourable weather conditions, which had a tangible positive impact during the first quarter and at the end of the fiscal year in particular. A major proportion of Sto's product offering is used outdoors. This means that, despite all our technical advances, their application is dependent on the weather – and that is something that we just cannot do anything about.

Chart 5: Acquisitions

The second factor also had a positive impact: in total, EUR 26.7 million of the growth in turnover seen within the Sto Group in 2020 came from first-time consolidation effects. I already introduced you to the newly consolidated companies at the last Annual General Meeting. In addition to VIACOR Polymer GmbH (which was consolidated at the start of 2020), Unitex Australia Pty Ltd. (consolidated since 1 August 2019) and Canada's Skyrise Prefab Building Solutions Inc. (in which we have had a majority share since May 2019) were included in the reporting period as a whole for the first time.

In contrast, the Group no longer included the business operation of VeroStone GmbH, which was sold on 31 December 2019 as part of an asset deal.

Chart 6: Development of turnover in 2020 – Organic growth

The third factor was the influence of currency translations, which had the opposite effect of reducing turnover, which totalled EUR -10.4 million. The Norwegian krone, the US dollar, the Hungarian forint, and the Turkish lira were devalued in particular, while the Swiss franc saw a positive development.

If we adjust the consolidated turnover of EUR 1,433 million for all first-time consolidation and currency translation effects, as well as for the effect from the sale of the business operation of VeroStone GmbH, we can see that we actually grew organically by 2.0 % during the pandemic year 2020. Given the circumstances, we are totally satisfied with that outcome, even though we did not reach a growth rate of 6.6 %, as we had originally forecasted pre-coronavirus.

Chart 7: Development of turnover inside and outside of Germany

The regional variations in our turnover are a reflection of how the pandemic progressed differently in each country and, in particular, how the various governments concerned responded differently to it. While business volume outside of Germany fell by a total of 1.8 % in spite of first-time consolidation effects, here in Germany, where work continued on construction sites with no disruption, we managed to achieve an increase of 8.0 % including VIACOR.

Chart 8: Development of the EWIS market in Germany

Turnover in facade systems, which is our largest product group and responsible for almost half (46,7 %) of total Group turnover, dropped slightly by 1.2 %. However, we were able to increase turnover in the growing market of Germany: as you can see on this chart, the volume of external wall insulation systems in Germany rose to 33.9 million m². Unfortunately, these domestic gains were offset by clear net declines in markets outside of Germany, where the negative impact of the coronavirus pandemic dominated the external wall insulation system market too.

Chart 9: Development of turnover by product group

Generally speaking, companies that are primarily engaged in business in the commercial and industrial construction sector were particularly affected by economic downturns. At Sto, for example, this is especially evident in the product area of industrial flooring, which had to cope with significant declines in demand. This falls under the “Other business fields” product group, which

still recorded a rise of 5.4 % to EUR 230.6 million due to the first-time consolidation of VIACOR Polymer GmbH.

Turnover relating to interior products increased by 6.9 % to EUR 211.5 million, with interior coatings above all showing extremely pleasing growth. In the business area of facade coatings, which has high margins, turnover increased by 5.8 % to EUR 322.1 million, whereas in facade systems it decreased slightly, as I have already mentioned, to EUR 668.9 million.

Chart 10: Development of earnings

We were very satisfied with how earnings developed in 2020: consolidated earnings before interest and taxes increased by 40.6 % to EUR 120.8 million and earnings before taxes by 43.2 % to EUR 119 million. At the same time, this clearly boosted our return on sales from 5.9 % to 8.3 %. In 2020, net income (earnings after taxes) reached a value of EUR 80.7 million and return on capital employed (ROCE) rose from 14.0 % to 19.7 %. We achieved record new highs in terms of both turnover and earnings.

Thanks to this profitable growth that protects capital, we are today able to propose to the Annual General Meeting that we distribute an ordinary dividend of EUR 0.31 per limited preference share and EUR 0.25 per limited ordinary share, as well as an increased bonus of EUR 4.69 per share. In this way, we want to ensure that you, the Sto SE & Co. KGaA shareholders, see an adequate benefit from the success of the company. At the same time, this allows us to continue to strengthen the company's capital base.

Chart 11: Statement of profit and loss

Our growth in turnover was a good foundation for increasing earnings. Added to this were the earnings-securing measures we introduced to compensate for the adverse effects of the coronavirus pandemic and, above all, a pleasing improvement in our gross profit margin. Despite the increased turnover, our cost of material fell slightly by 0.5 % to EUR 628.4 million, which can be traced to the largely declining pricing trends on the procurement markets.

Chart 12: Cash flow statement

Cash flow from operating activities rose to EUR 177.2 million in 2020, with the increase being mainly attributable to the significantly higher net profit for the year as well as the changes in net working capital. The cash flow margin improved, rising from 8.4 % to 12.4 %.

A total of EUR 123.7 million was used for investment activities, while the outflow of funds in terms of financing activities stood at EUR 49.2 million.

In total, the Sto Group's cash and cash equivalents rose from EUR 128.6 million to EUR 130 million at year end. This meant the total current and non-current borrowings of EUR 12.9 million recorded on 31 December 2020 were significantly exceeded once again.

Chart 13: Investments and depreciation

Group-wide investments in Property, plant, and equipment, and Intangible assets amounted to EUR 41.7 million in 2020. The planned budget for 2020 of EUR 52 million was undercut overall as various projects were postponed or cancelled due to the coronavirus pandemic. Without taking the depreciation/amortisation from IFRS 16 into account, depreciation and amortisation amounted to EUR 45.5 million, as compared to EUR 33.2 million in the previous year.

A majority of the investments made in 2020 went into constructing the new logistics building for Südwest Lacke + Farben GmbH & Co. KG in Böhl-Iggelheim/Germany and into the measures for expanding production capacity in Villach/Austria.

Chart 14: Investment in Villach/Austria

Here are some images of the new dry production plant in Villach, which is set to be completed by the end of 2021.

In addition, we made investments throughout the Group in 2020 in replacement and expansion measures as part of the ongoing “Retrofit” programme, where the focus was on implementing our digital strategy in production.

Chart 15: Sto Group balance sheet

As at 31 December 2020, the consolidated statement of financial position of Sto SE & Co. KGaA witnessed an increase of 8.7 % to EUR 973.8 million as compared to the end of the previous year. On the assets side, total non-current assets rose from EUR 438.1 million to EUR 462.7 million, while current assets increased from EUR 458.0 million to EUR 511.1 million. Of this amount, EUR 130 million were attributable to cash and cash equivalents.

On the liabilities side of the consolidated statement of financial position, equity increased from EUR 486.5 million to EUR 531.4 million due to improved earnings. This results in a very solid equity ratio of 54.6 %.

Chart 16: Employee trends

Our headcount rose slightly over the course of 2020 by 12 people or 0.2 %, taking the total to 5,545 employees. As compared to the 2019 year end, the number of employees in Germany rose by 57 to 3,000. However, in net terms, the increase is almost entirely attributable to the addition of 55 employees from VIACOR Polymer GmbH. In contrast, the workforce outside of Germany declined by 45 to 2,545 employees. We made selective adjustments in regions battling difficult economic conditions, while making targeted additional hirings in countries with short- and medium-term growth prospects.

Chart 17: Share price trend

Now let me take a brief look at the Sto share price trend, another aspect which was noticeably impacted by the pandemic in its early stages. But the share value managed to recover quickly and sustainably after an initial slump caused by the coronavirus crisis in March 2020 – by early September, it had already surpassed its level from the start of the year and by the end of the year, the value recorded a significant increase. As compared to the 2019 year-end rate, the Sto SE & Co. KGaA share price rose by 13.5 % year-on-year. This positive

trend has continued during the first few months of 2021: at the end of May, the rate stood at EUR 176.80. As compared to the 2020 year-end rate of EUR 129.40, this represents an increase of around 37 %.

Chart 18: First quarter of 2021

So far in 2021, we have been able to continue this positive business development and achieve further growth. In the first quarter, consolidated turnover increased by 7.1 % to EUR 303.7 million as compared to the corresponding period of the previous year. Net negative currency translation effects in the amount of EUR -3.1 million were contrasted by a first-time consolidation effect of EUR 3.8 million from the acquisition of the remaining 50.2 % of shares in JONAS Farbenwerke GmbH & Co. KG in the first quarter. This family-run company, in which we had already had a share of 49.8 % since 2018, is one of the most efficient and productive manufacturers of wall paints and other coating products on the professional market in Germany, with an extremely high-tech plant in Wülfrath. Adjusted for the first-time consolidation and currency translation effects, Group-wide turnover saw organic growth of 6.8 % in the first three months of 2021.

Consolidated earnings also pleasantly exceeded our expectations. Earnings, which are usually negative in the first three months of any given year, improved noticeably as compared to the previous year's value. This was despite the gross profit margin experiencing significant pressure due to partially sharp price increases on the procurement side.

The high demand continued in April and we achieved the highest turnover in a single month in our history to date. In addition to the favourable weather conditions, catch-up effects from the previous year that was so negatively impacted by the pandemic, especially in markets outside of Germany such as China, France, or Italy, were also noticeable.

The supply situation for certain raw materials has been extremely strained since the end of 2020 and has become more acute during the course of 2021 so far. This is due in particular to plant shutdowns by several key manufacturers causing supply to run alarmingly short and to a sharp increase in demand

stemming from economic trends. At the same time, a capacity bottleneck developed in the freight sector. This led to significant price increases on the global market and to some supply bottlenecks, which are forecast to continue. In order to counter the resulting pressure on margins, we have announced or begun to implement price increases.

According to preliminary calculations, turnover development in May was positive too, exceeding expectations and considerably outstripping the previous year's level.

Chart 19: Strategy 2025

Ladies and gentlemen, I stated last year that we are subjecting our strategy to a thorough review. That process has now been somewhat delayed due to COVID-19. However, this has meant we have been able to incorporate current developments into our considerations as well.

In the first phase we conducted an extensive analysis to pin down the fundamental internal and external influencing factors, in other words, the cornerstones of our initial position.

Chart 20: Internal influencing factors

At the start of the project, the main thing was for us to accept within the company that our chances of reaching our long-term targets in terms of turnover and yield planning up until 2022 were becoming ever more remote. It is true that turnover in the Sto Group has risen continuously since 2010, as you can see on this chart, but the earnings before taxes, represented by the black line, have been much flatter over that same period, indicating that profitability has declined. Our internal analysis therefore concluded that we need to increase efficiency in the Group and find and exploit any potential for optimisation in the company.

Chart 21: External influencing factors

Above all, our examination of the external factors affecting Sto confirmed the understanding that our environment is in a constant, ongoing state of flux.

Over the last year especially, we have experienced first-hand just how beset our world is by volatility, uncertainty, complexity, and ambiguity. Independent from the pandemic, there are many reasons for this. The increasing pace at which new technologies and innovations are being developed, for example, means the momentum never drops, which in turn speeds up market developments and trends. At the same time, we urgently need effective solutions to tackle the consequences of the growing global demand for energy and of climate change. The shortage of skilled workers is another factor driving these changes, along with megatrends such as globalisation, urbanisation, or demographic development, which have held firm for years now.

In this environment we must put the Sto Group on the best possible footing, identify any potential for the company to grow, and grasp any opportunities before exploiting them quickly and selectively.

Chart 22: Key objectives

The next step was to define our overarching objectives. These build on our values and successes from previous years and were supplemented by the results of our analysis.

We established four key areas:

1. **Finances:** At the heart of the strategy lies our overarching corporate goal, with which we align our decisions. That goal is still to achieve sustainable, profitable growth that protects capital.
2. **Customer focus** means: We are a reliable and flexible partner standing for expert advice, functional products and services, and perceptible sustainability.
3. We want to consistently exploit and further expand our **performance potential** that can be found all over the world. This concerns the areas of market presence, solutions leadership, and operational excellence in particular.
4. We increase the commitment of our **employees** by providing them with systematic and targeted continuing professional development opportunities. 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 why this is supported worldwide.

Chart 23: Strategic areas with 14 core initiatives

The last phase of the process, which allows us to set the parameters for the future, is to actually put these goals into practice, and we are now doing that step by step. We have defined three areas in this regard: accelerating growth, increasing profit, and expanding core competence. The objectives will be realised via the 14 core initiatives you can see here. And in the centre, at the very heart of all these efforts, is our long-term financial goal: we want the Sto Group to achieve a turnover in the amount of EUR 2.1 billion and a return on sales of 10 % in relation to earnings before taxes by 2025.

Now let me give you the details of some of these initiatives, so you can get a more concrete idea of our targets.

Chart 24: Sustainability

The first point I would like to address is the very current topic of sustainability. A sustainable approach has always been an essential pillar of Sto's framework of values, which is anchored in our corporate mission of "Building with conscience." This claim represents our mission to contribute to the conservation of value and the aesthetic appeal of buildings. And sustainability, which we have declared a core competence as part of our strategy review, is one of the four columns upholding our "Building with conscience." claim.

To ensure that we are ready to face future challenges, we are following the development of megatrends, changes in the market, as well as regulations and laws that are relevant to Sto. The focal topics include:

- Programmes for sustainable and energy-efficient construction and renovation
- The European Green Deal and the European chemicals strategy
- Recycling economy and resource efficiency
- Operational and product-related environmental and health protection

- Observance of human rights along global supply and value chains, and the development of an act to cover supply chains

In terms of the introduction and implementation of voluntary CSR measures we act in accordance with the motto 'think global - act local'. Hence our principles, especially the compliance with the ten principles of the UN Global Compact, apply to all regions and companies worldwide. The specific measures to comply with and promote these principles as well as specific activities to promote sustainable construction may vary locally. They are geared to the respective local needs and circumstances.

Furthermore, we align our sustainability activities with the United Nations' 17 Sustainable Development Goals (SDGs) adopted in 2015. These are primarily aimed at the states in the international community. But industrial companies are also expected to adopt them in their corporate strategy. In this way we want to show our contribution to sustainable development for society as a whole and prioritise our own fields of action.

Chart 25: Climate protection business model

Just with our business model alone, we have a really positive impact on climate and environmental protection. Our products contribute substantially to minimising the environmental impact of buildings, for example, through energy-saving insulation measures. Since 1965, Sto insulation systems have been installed on around 650 million m² of buildings worldwide, saving an estimated 115 billion litres of heating oil up to and including 2020. The resultant reduction in carbon dioxide emissions totalled over 370 million tonnes. We also strive to minimise the effects of our corporate activities on the environment, for instance, by increasing our energy efficiency, harnessing renewable energy, making careful use of resources, and avoiding waste. We are increasingly offsetting unavoidable CO₂ emissions with compensation measures and will make the Sto Group climate-neutral by 2025. In individual regions such as Austria and Scandinavia, we have already been climate-neutral for several years.

Chart 26: Sustainability

Apart from that, we are also addressing new product requirements that arise due to sustainable building concepts and, for example, are focussing our efforts on the recycling economy. In the interior, our positive contribution lies above all in health protection and well-being through a wide range of low-emission products and products that are free from harmful substances.

As part of our strategy review, we came up with specific sustainability goals to meet by the year 2025. At the heart of this is a holistic approach under the banner of “Product, People, Planet”, which you can see on the left-hand side here. This expresses the idea that our goals and actions extend to every area within the company’s sphere of influence and are being implemented at every value-added step.

Chart 27: Green Deal

The entire construction sector in which we operate is hugely significant as regards climate protection all over the world. That is why, against the backdrop of the climate protection goals set at an international level, it is essential to grow stronger in this area and to speed up the renovation rate globally. In Germany, for example, energy-efficient building refurbishment for owner-occupied housing has been tax-deductible for private homeowners and apartment owners since 1 January 2020. This subsidy is to lead to a noticeable rise in the domestic renovation rate.

At EU level, the Green Deal is the primary mechanism designed to drive demand for external wall insulation systems, or EWIS for short. The Green Deal is a package of measures in a range of fields with the aim of making Europe climate-neutral by 2050. One of its objectives is to give a push-start to a surge in renovation in the building sector, with around 35 million buildings being renovated by the year 2030. For Sto, as the leading manufacturer of external wall insulation systems, this means considerable additional potential

for sales – but we will also need to come up with even more efficient solutions to deal with the resulting higher demand for our products.

Chart 28: Efficiency-enhancing complete solutions with a high degree of prefabrication

One possible answer to this problem would be complete technical solutions with a high degree of prefabrication. Industrial prefabrication offers a whole host of benefits, particularly in the area of facade panels, which is why we have been looking into this issue for years through the StoPanel network, especially in the USA. Prefabricating the panels in the plant has all these advantages: it shortens the construction period; means installation is not dependent on the weather; makes the panels easier to attach; gets around the growing issue of bottlenecks caused by the shortage of skilled workers; and allows a huge variety of facade appearances to be produced.

One new feature is the digital support we have developed for this solution in the form of the StoPanelizer. Now I would like to show you a short film to introduce this visualisation and tendering software, which is backed by artificial intelligence, that we will be able to offer our customers shortly.

Chart 29: StoPanelizer film

So as you can see, StoPanelizer lets customers combine unique architecture with efficient production in the best way possible.

Chart 30: StoCapture

Another efficiency-enhancing digital solution is StoCapture, a mobile laser scanner for measuring facades. It enables three-dimensional images to be recorded in conjunction with a drone. StoCapture is controlled through a mobile app and a wireless internet connection, so data can be transferred to an external computer directly.

Chart 31: StoTherm AimS

We are also in a good position as regards our EWIS range, which we are always extending with sustainable solutions. After all, sustainable building products

are more in demand now than ever before. In 2020, for example, we introduced the first facade insulation system to include coatings based on an extremely high proportion of renewable and sufficiently available raw materials. This product family, sold under “AimS®”, consists of environmentally friendly base coats and finishing renders, plus a biomimetic facade paint. When used in conjunction with a suitable insulant, the customer can create a fully sustainable insulation system. This enables us to address target groups which would previously have been against facade insulation due to their concerns over sustainability. And it fulfils our customers’ demand for better environmental protection in two ways: resources are conserved during manufacture and less heating oil is consumed during use.

Chart 32: Digitisation in production

It is impossible to deliver excellence to the standard we desire without having an efficient organisation. We are planning on making some changes here too: we want to realign our corporate structure so it is consistently focussed on processes, rather than on functional areas as it has been up to now. This project will be helped along by the digital transformation – in actual fact, it is this part which is new, since we have collaborated on projects across different departments before. But now we are going to implement this way of thinking throughout the company and optimise our process organisation with the support of digital tools.

We have already put quite a few things into practice in our production areas. For years now, we have been working on gradually digitising our production processes as part of our efforts to continuously modernise and upgrade our systems. We completed one major such project at our Donaueschingen plant in January 2021. Sto manufactures around 90,000 tonnes of dry products and approximately 4,000 tonnes of epoxy resin and polyurethane products at this site every year. The project was about adapting all control and IT processes to the new specifications of a digitised, process-oriented production environment, so the plant now benefits from state-of-the-art control engineering.

Chart 33: E-learning

Of course, we must provide support and training to accompany the changes we have already made and those we are yet to introduce – because for all these initiatives to succeed, we are completely reliant on our employees being on board. There is a good reason that one of our four key objectives runs as follows: “We will develop and support our workforce to become even more committed, thus laying the foundations for sustainable corporate success.”

Specifically, we will nurture our employees’ abilities with an attractive range of training options that have a systematic structure and are easy to access via digital channels. The new online e-learning platform has set the course to achieve these aims. Here we will provide all Sto Group learning content and materials in the same format the world over, be they online courses, videos, podcasts, or PowerPoint presentations. The content, which is being expanded gradually over time, is primarily intended for our employees, but some will also be made available to our customers.

Chart 34: Forecast for turnover and earnings for 2021

Ladies and gentlemen, another year full of challenges lies ahead of us. And it is not just because the coronavirus pandemic, with all its influencing variables and factors that are impossible to predict, is continuing to make great demands of us. No, the “usual” uncertainties such as the weather or the global economic situation and, beyond that, the implementation of our strategic initiatives, would keep us busy enough even without the pandemic.

Added to that is a pretty dramatic shortage of materials, which is really putting the brakes on the German construction sector at the moment. According to a survey by the ifo Institute, almost 24 % of the building engineering companies surveyed in April reported problems with procuring building materials on time. As I have already mentioned, procurement prices for a variety of raw materials such as binders and solvents, packing materials, and bought-in products are rising sharply at the same time.

But in spite of these challenges, we are anticipating an increase of around

4.5 % in consolidated turnover for the year 2021 as a whole to approximately EUR 1,498 million. Taking the currently expected cost increases into account, consolidated earnings before interest and taxes are expected to fall between EUR 98 million and EUR 113 million, with earnings before taxes coming in at between EUR 95 million and EUR 110 million. Where the resulting return on sales is concerned, we are expecting to see a value between 6.3 % and 7.3 %.

However, I must stress once more that these forecasts are bound up with lots of uncertainties, that is, opportunities and risks. Not only is it entirely unclear right now how the procurement markets will develop in the future; neither is it possible to forecast the future rate of new infections reliably yet or, in particular, the responses of the respective governments that could have a decisive effect on Sto's operational business activities around the world. Nor can we rule out the possibility of construction site closures in the future.

This unexpectedly persistent difficult situation once again leads to exceptionally difficult framework conditions for our employees and managers, which they again face with great commitment. On behalf of the entire Executive Board, I would like to thank the Sto workforce most sincerely for this.

Chart 35: Why we will be able to achieve our goals

Although it is difficult to predict the future, we are convinced we will be able to achieve our short- and long-term goals if we put 100 % into them and consistently exploit all the opportunities identified by various means, including our strategy review.

Sto's success factors include not only the clearly formulated strategy that we are pursuing in a targeted manner, but also the noticeable tailwind provided by the aforementioned trends, such as climate protection. There is considerable sales potential worldwide, particularly in the area of facade systems. Sto, as a leading provider of external wall insulation systems, offering attractive solutions for increasing energy efficiency and minimising carbon dioxide emissions, should benefit accordingly from any increase in demand. We are also prepared for future requirements for products and systems.

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.

Our broad, optimally coordinated range of services serves the needs of all target groups and allows building owners the highest degree of individual design freedom. And last but not least, Sto supplements its outstanding product and system range with digital tools among others, thus creating the prerequisite for convincing overall solutions.

Time and again, external bodies also attest to the fact that our company is in a really great position – in lots of different ways:

Chart 36: German Design Award for project in Turkey

The Folkart Hills residential estate, which we were involved in creating in the Turkish holiday resort of Çeşme, has won an award – serving as a wonderful acknowledgement of the expertise we can bring to the table when we partner with architects. The residences had a German Design Award bestowed on them by the German Design Council. This prize recognises innovative products and projects, as well as their manufacturers and designers. The white rendered surface of the elliptical building conceals a StoVentec R rainscreen cladding facade. The award-winning project with the Sto facade construction had to prove its robustness at the end of October 2020 during a severe earthquake in western Turkey: while many buildings in Izmir were destroyed, the earthquake-resistant StoVentec R facade showed no cracks whatsoever.

Chart 37: Awards

Our products have once again won an Architects' Darling Award, which just goes to show how much they are valued by architects as a whole. Sto won gold in the EWIS category in 2020 for the fourth time running. This award is presented by a company that serves as an information platform for the construction sector, with prize-winners selected from a pool of over 1,900 architects and planners. Last year, Sto also won silver in the “Best project

consultation” category and bronze for the “Best reference project”.

Sto has been popular amongst tradespeople in the construction sector for years – we won first place in the EWIS category of the “Stein im Brett” award, voted for by professional tradesmen and organised by information service provider ibau, in 2020 as well. More than 2,750 tradespeople were surveyed about this award, with these construction experts choosing their favourite manufacturers from a possible 140 providers in 13 different product categories. They were assessed on various factors including brand awareness, brand preference, and brand acceptance. Sto scored highly in the EWIS category for quality, user-friendliness, and recommendations in particular.

And we can continue to call ourselves the global market leader in external wall insulation systems! For several years, business magazine “Wirtschaftswoche” has been honouring medium-sized global market leaders from Germany, which it refers to as “Hidden Champions”. These companies have to meet several conditions: they occupy high-growth market fields, are innovative and international, take care to maintain a solid financial structure, and develop a unique brand. The jury chose Sto as the winner in the “External wall insulation systems” business field once again in 2021, since we meet all these high standards without exception.

And, last but not least, our employees are firmly behind Sto: in a survey conducted by an independent opinion research institute and the magazine “Stern”, which evaluated more than 1,300 companies with over 500 employees, Sto received the award as the best employer in the building materials, metals, and materials sector. In particular, the employees' and the competitors' willingness to recommend the company was included in the list of the '650 Best German Employers 2021'.

We are delighted with this award, which fits in with the positive feedback we received from our workforce in the employee survey we conducted in 2019. One of the things their responses indicated was that over 80 % of Sto employees would recommend our company as an employer. It is an

impressive testament to the level to which our employees, on whom we will continue to rely, feel solidarity and identify with the company.

Ladies and gentlemen, the Sto Group not only has a wonderful team of employees and many other factors that are critical to its success – it also benefits from an excellent brand. I have not spoken about the brand yet today, by which I have done it something of a disservice. So, to conclude my remarks, I would like to show you our new brand film “For the love of building. Building with conscience.” Our mission of “Building with conscience.” is all about exercising an awareness in using products and systems that have impressive functional properties and can conserve a building’s value, while also contributing to its aesthetic appeal. This film is our launchpad for a global campaign aiming to make the Sto brand even more appealing.

Chart 38: Brand film/brand campaign

Ladies and Gentlemen,

As you can see, Sto is emerging from the coronavirus crisis even stronger. We have used the time wisely to make sure the conditions are set for us to continue developing in a way that benefits our customers, employees, and shareholders alike.

Thank you for your attention!

Chart 39: Final chart