

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 22 June 2022

- Check against delivery -

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Chart 1: Initial chart

Ladies and Gentlemen,

Welcome to this, the third Sto SE & Co. KGaA Annual General Meeting to be held virtually.

We all hope to be able to meet in the real world again very soon. We are all tired of the restrictions and consequences of the coronavirus pandemic, which posed great challenges during the 2021 fiscal year – that is, the one we are reporting on today – just as they did during the previous one. Who would have thought we'd be dealing with this gruelling issue for so long? And this year we were faced with the Russia-Ukraine conflict too, which – it seems – we will be dealing with the effects of for quite some time yet.

Chart 2: Passing of company founder Fritz Stotmeister

Sadly, the Sto family had even more sorrow to bear: on 21 April this year our company founder Fritz Stotmeister passed away at the age of 94. Not only was he a charismatic businessman and a pioneer in the construction sector, he was also a fascinating personality. Fritz Stotmeister was pivotal in shaping the history, the people, and the character of Sto. He was especially concerned with creating an exceptional company climate based on personal interaction and cooperation, a willingness to help one another, mutual respect, and discipline – all values that are still typical of our Group to this day. I am happy and proud that I had the chance to get to know Fritz Stotmeister.

Many of you, dear shareholders, will have met him in person on occasion, as he continued to attend our company's Annual General Meeting well into his later years. We have compiled a few images to honour the memory of Fritz Stotmeister, the man with the distinctive sun hat.

Film

Fritz Stotmeister passed away peacefully at home after a fulfilling life.

Chart 3: Our environment is in constant crisis mode

Ladies and gentlemen, 2021 was a turbulent year that had a whole host of challenges in store not just for the Sto Group, but for the entire global community.

As if the coronavirus pandemic were not enough – as it continued to adversely affect us with multiple new waves of infection, virus variants, lockdowns in different countries, and the all-too-familiar restrictions – we also had other disruptions to deal with even before the first quarter was over, such as the effects of the coronavirus pandemic in Asia, the negative consequences of a harsh winter on the raw materials industry in Texas/USA, and the obstruction of the Suez Canal. It was blocked for six days after the Ever Given container ship ran aground and stopped other vessels from passing, causing huge disruption to the global shipping industry. This led to supply bottlenecks and shortages on international procurement markets, which were exacerbated significantly as the year went on. As you know, there were price increases, some of which were considerable – by the middle of the year, the inflation rate in Germany passed the 3 % mark. And the rise has continued unchecked since then. What's more, in early 2022 there was an escalation in the Russia-Ukraine conflict, which worsened the existing crisis on the global energy markets.

Chart 4: In-depth review of the raw materials market of essential importance

So in light of all that, the biggest issues facing us in the 2021 fiscal year concerned ensuring we received supplies of raw materials and primary products on a daily basis and, as a result, making the necessary efforts to secure the supply of goods to our customers, as well as coping with the extreme price increases on the procurement side. Across many areas of the company, Sto teams were working virtually non-stop to make up for these supply chain disruptions, delays, shortfalls, and transport problems and lead demanding price negotiations. This all demanded an incredible amount of flexibility, innovation, and dedication from our employees, to whom I would like to offer heartfelt thanks on behalf of the whole Executive Board. Thanks to their outstanding efforts, which we by no means take for granted, we were able to

maintain the value chain and, as a result, supply to the customers to the maximum possible extent. Hats off to this amazing work!

Among other things, the teams explored new sources of supply or looked for equivalent materials, adopted alternative products, and ensured the supply of raw materials in numerous ways. And we have to bear in mind that the process of reviewing and approving appropriate substitutes is very time-consuming indeed. Such materials have to meet our high quality requirements as well as the social and environmental standards applicable along the entire supply chain and, at the same time, also have to ensure adequate value for money.

We established a Supply Task Force within the company so that we could track the daily availability of materials even more closely. In addition, we extended our strategic stockpiling and expanded our storage capacity. An AI-based risk management software package called Riskmethods was introduced across the Group to help with these measures. Thanks to this digital tool, we can identify weaknesses in the global supply chain at an early stage, assess them, and proactively factor them in.

Chart 5: Position on and engagement in the Russia-Ukraine conflict

Making sure our customers can depend on our supplies is always the top priority at Sto – and it will remain a key focus for us over the next few months. Unfortunately, the Russia-Ukraine conflict has exacerbated the situation still further. This war has left us stunned and downright aghast. It is making it even more difficult to make any kind of plans. But this much is certain: the supply bottlenecks and associated price increases will continue and the cost pressure being felt in the energy sector in particular will rise further.

Back in February, we responded as quickly as possible and in various ways to the escalation of the conflict. Firstly, we suspended all deliveries to Russia. And by that I don't just mean supplies to our Russian subsidiaries, I mean exports to Russia as a whole.

Secondly, we got to work on consuming less energy at our sites in Germany. We reduced the temperature in our office buildings by one degree, for example, and also took similar steps in our production facilities.

And we are also trying to provide humanitarian aid where possible. In this photo you can see a Sto lorry that took relief supplies to Ukraine, with the operation being coordinated by a local forwarding agent. Besides making donations, we also gave practical help by arranging for Ukrainian families to stay in the accommodation Sto has available in Stühlingen. I would also like to highlight the huge personal commitment shown by Sto employees in Poland. They have left no stone unturned to help out their neighbours.

Chart 6: Sto Group 2021

Before I speak about the current year, which will clearly not get any easier, I would like to return to 2021 again – a year in which we worked exceptionally hard and which saw us achieve some great things as a result. Despite the various challenges we had to face, we were able to exceed the growth that had originally been forecast in the Sto Group and set a record new high in terms of turnover. Consolidated earnings also improved despite the fact that the dramatic price increases encountered in the area of procurement had a huge impact on gross profit. Now let me take a look at the key data from the 2021 annual financial statement.

Chart 7: Sto Group turnover

Consolidated turnover rose by 11 % to EUR 1590.5 million in the 2021 fiscal year, matching our forecast – which we had revised upwards slightly in December – exactly. We generated the majority of this increase in the first half of the year. During this period, the high demand in the construction sector was assisted by the generally favourable weather conditions. What's more, several markets outside of Germany experienced significant catch-up effects after the previous year was impacted so severely by the coronavirus pandemic.

The momentum behind this growth started to wane in the second half of the year. The supply bottlenecks were being felt more and more, especially in

Germany, which led to increasing delays on construction sites, particularly in terms of preparatory works. Furthermore, fewer catch-up effects were noticeable in the autumn, and in certain countries, new restrictions were imposed as a result of the coronavirus pandemic. In the final few months of the year, however, we again benefited from good weather conditions in most of our key markets.

Chart 8: Acquisition of the remaining JONAS shares

EUR 133.7 million of the Group-wide growth in turnover was organic. A negative effect of EUR 1.3 million arose from currency translations in 2021. The remaining growth came from JONAS Farben GmbH being incorporated into the companies consolidated for the first time. We acquired the remaining shares in this company, which was previously consolidated using the equity method, with retrospective effect to 1 March 2021. When adjusted for these first-time consolidation and currency translation effects, consolidated turnover grew by 9.3 % in the year under review.

Chart 9: Sto Group turnover – Positive development inside and outside of Germany

Domestic turnover rose by 4.9 %, which could also be mostly traced back to the first-time consolidation of JONAS. Growth outside of Germany, however, was much stronger at 16.2 %. Alongside the catch-up effects in certain regions that I have already mentioned, demand in some countries was boosted – in particular – by government funding programmes for energy-efficient building refurbishment such as those seen in Italy and France. Compared to the previous year, the share of Sto Group turnover generated abroad increased from 53.9 % to 56.5 %.

Chart 10: Sto Group turnover – Development in the product groups

In our core business of facade systems, which is our product group with the highest turnover by quite some margin and which is shown right at the bottom here, business volume increased by 10.6 % to EUR 740.0 million. Within facade coatings, turnover – which amounted to EUR 354.6 million – was 10.1 % above the previous year's level. Turnover relating to interior products

increased by 17.2 % to EUR 247.9 million, Other product groups achieved a 7.6 % increase to EUR 248 million. This was mainly generated by the product area of floor coatings, although there were clearly discernible disruptions to procurement markets here.

Chart 11: Development of the EWIS market in Germany

The volume of the German market for external wall insulation systems grew by around 2.9 % to approximately 36.1 million m² in 2021. While it's true that the rate of growth, which stood at 5.2 % in the previous year, has slowed – in our view due to supply chain disruptions – in absolute terms the market volume reached a seven-year high. This growth is set to accelerate going forward, since the construction sector is an industry where vast amounts of CO₂ can and must be saved by improving energy efficiency all over the world – if only to meet the climate action targets our politicians have agreed.

Chart 12: Sto Group EBIT & EAT

Sto SE & Co. KGaA consolidated earnings also improved in the 2021 fiscal year despite the fact that the price increases encountered in the area of procurement had a significant impact on gross profit. Earnings before interest and taxes (EBIT), the left bar in the chart, increased by 3.1 % to EUR 124.5 million and earnings before taxes (EBT) amounted to EUR 127.9 million.

The higher business volume was a particularly crucial factor for the positive development of income. To compensate for the strained situation on the procurement markets, we also introduced various earnings-securing measures and postponed the expensive strategic projects that had originally been planned for 2021.

Chart 13: Statement of profit and loss

Substantially increased procurement costs affected practically every single area and we have not yet been able to pass them on to customers sufficiently by raising our own prices – this is reflected in the cost of material, which jumped by 21 % to EUR 760.5 million in 2021. This caused the gross margin rate in

relation to total revenues to drop significantly from 56.1 % to 52.6 %. Some prices saw particularly dramatic rises, including those of input materials, such as epoxy resins, dispersions, and titanium dioxide, and of insulants and packaging. There were also capacity shortages in the logistics sector, which led to higher freight costs.

All things considered, we posted a net profit for the year 2021 of EUR 94.7 million, which means net earnings have improved by 17.3 % compared to the previous year.

The Executive Board of STO Management SE is today proposing to pay an ordinary dividend of EUR 0.31, which is the same as the previous year, and a bonus of EUR 4.69 per limited preference share. These figures are based on the net profit for the year achieved by the parent company Sto SE & Co. KGaA, which has fallen from EUR 71.2 million to EUR 46.6 million, primarily due to skyrocketing procurement prices. The dividend payout to limited ordinary shareholders also remains stable: they will receive an ordinary dividend of EUR 0.25 as well as a bonus of EUR 4.69 per share.

Chart 14: Sto Group cash flow

Now allow me to look at the financial situation, which is still extremely solid. Cash across the Group rose year-on-year by EUR 7.1 million to EUR 137.1 million. At the end of December 2021, the Sto Group had net financial assets of EUR 126.9 million, less current and non-current borrowings of EUR 10.2 million.

Chart 15: Sto Group investments and depreciation/amortisation

In the year under review and without the effects of IFRS 16, a total of EUR 41.9 million was invested in intangible assets and property, plant, and equipment, compared to EUR 41.7 million in the previous year. The corresponding depreciation and amortisation increased slightly from EUR 45.5 million to EUR 46.9 million.

Chart 16: Investment in Südwest Lacke + Farben

A proportion of the investments went into the new logistics building for our subsidiary Südwest Lacke + Farben GmbH & Co. KG in Böhl-Iggelheim, which you can see here. It was opened in 2021 and allows the company to achieve greater capacity and faster processes. The Group made another major investment by expanding production capacity at the Villach site in Austria, work on which was completed at the start of the fourth quarter. Furthermore, investments were made in the modernisation of a tunnel furnace at Ströher Produktions GmbH & Co. KG – a project which is still ongoing – as well as in the usual replacement and expansion measures.

Chart 17: Sto Group balance sheet

Now let's take a quick look at the Group balance sheet, which witnessed an 11.4 % increase to EUR 1084.7 million as the business expanded. Total non-current assets rose to EUR 518.8 million, while current assets without taking cash into account amounted to EUR 428.8 million at the 2021 year end. Inventories grew noticeably – on the one hand due to the higher business volume and first-time consolidation effects, and on the other hand because we purposefully increased stocks of raw materials, finished goods, and bought-in products to safeguard the Sto Group's readiness to deliver in light of the uncertain supply situation.

On the liabilities side of the consolidated statement of financial position, you will see that we have a strong equity base: particularly as a result of the solid income situation, this item increased from EUR 531.4 million to EUR 610.0 million, bringing about a further improvement in the equity ratio, from 54.6 % to 56.2 %.

Non-current provisions and liabilities increased year-on-year to EUR 210.9 million, while current provisions and liabilities amounted to EUR 263.8 million.

Chart 18: Sto Group employees

We moderately expanded our workforce over the course of 2021: at year end, the Sto Group had 5697 employees worldwide. As compared to the same day of

the previous year, this equates to an increase of 152 employees, which mainly resulted from JONAS Farben GmbH, which was incorporated for the first time. At the end of the year, 92 people were employed by this company. The total number of employees inside Germany stood at 3127, with 2570 outside of Germany.

Chart 19: Sto share – Share price trend

Ladies and gentlemen, those were the most important key figures from the 2021 annual financial statement.

You'll remember I referred to 2021 as a turbulent year, and for good reason because we also had to contend with changes on the capital market. Almost 30 years to the day since the Sto share was first listed on 12 May 1992, it was added to the SDAX index last September and now finds itself among the most important second-line stock market indices in Germany.

After a subdued start, our share price saw an almost non-stop upwards trend in 2021, reaching its annual high of EUR 230.50 in the summer. After that, it fell slightly but managed to stabilise again in the last two months of the year. At the 2021 year end, the cost of a Sto share was EUR 221, an increase of 70.8 % compared to the previous year's closing price.

During the current year of 2022, it initially went up sharply: on 12 January the price reached EUR 252, before developments on the entire capital market became very volatile with the outbreak of the Russia-Ukraine conflict and changes in interest rates at reserve banks, and there were some rapid losses. Yesterday, the Sto share was listed at EUR 152.

Chart 20: Strategy 2025

Ladies and gentlemen, as a company Sto can respond rapidly and flexibly: it is able to deviate from the well-trodden path when it needs to. We proved that emphatically once again last year in the way we dealt with the many challenges that came our way. To ensure our company stays that way and is able to continue developing so successfully, we need to put it to the test on a regular basis. Does our strategic direction still suit our environment? Which general

conditions have changed? Are there any new trends? Are we working efficiently? We need to grapple with these questions continuously.

As you know, we have been doing this intensively over the last few years and have used the results to rework our corporate strategy. I introduced you to this process at the last Annual General Meeting, and in 2021 we began to roll out the new initiatives that have grown out of it. We are pursuing four key objectives:

Customer focus means we are a reliable and flexible partner to our customers, standing for expert advice, functional products and services, and perceptible sustainability.

We want to consistently exploit and further expand the **performance potential** that can be found in the Sto Group. This concerns the issues of market presence, solutions leadership, and operational excellence in particular.

We want to encourage and deepen the **engagement of our employees** by providing them with systematic and targeted continuing professional development opportunities. Our workforce is one of the most critical factors in the Sto Group's success.

At the heart of everything lies our overarching **financial goal**, with which we align our decisions. That goal is to achieve sustainable, profitable and capital-efficient growth.

Chart 21: Strategy 2025 – Three strategic areas with 14 core initiatives

The four strategic objectives will be realised through 14 core initiatives which are distributed across three strategic areas. As I have already said, we did start to roll out these initiatives last year, but we were forced to postpone some of the projects we originally had planned – mainly because of all the steps we had to take to tackle the supply bottlenecks. We will catch up with some of these in the course of the current year, although making sure our customers can depend on our supplies will remain top of our to-do list and, as you know, the difficulties show no sign of abating. One of the projects on the agenda in the

near future will be to prepare for the change-over to the new SAP version S/4 HANA, which is set to be completed in the next few years and will have far-reaching effects on the Sto Group and its processes.

Let me give you a few more details about a couple of the initiatives we rolled out in 2021.

Chart 22: Strategy rollout – Introduction of sustainable insulation systems

My first example for you comes from the area of product development. The idea of sustainability, which is becoming increasingly important in our industry sector, is guiding us more and more here. In 2021 we launched the AimS® product family in Germany and other European markets. In this family, all system components are based on an extremely high proportion of renewable and sufficiently available raw materials. For instance, we have replaced a significant proportion of the mineral oil that would normally be used in binder with pine oil. When used in conjunction with a suitable insulant, the products from the AimS® line can be combined to create a fully sustainable external wall insulation system that helps with environmental protection in two ways: through the conservation of resources, such as crude oil, at the manufacturing stage and, like all insulation systems, through reductions in heating energy consumption during use.

Chart 23: Strategy rollout – Surface variety I

2021 saw us embrace the future in terms of facade surfaces too, as we expanded our already large variety of options even further. Thanks to our incredibly versatile systems, building owners are able to make entirely their own decisions about proportions, design, materials, surfaces, and paints. They can achieve exactly the right quality and effect for every construction project, while simultaneously always designing an eye-catching and energy-efficient facade.

The surfaces offered by Sto include not only plaster and render, but also brick, high-density brick, and ceramics, natural stone, solid Verolith facade elements,

glass, photovoltaic modules, and pre-assembled elements. You can see a couple of examples here.

Chart 24: Strategy rollout – Surface variety II

The systems can be combined with one another, materials can be mixed, and special configurations such as those with bevelled reveals or modulated surfaces can be created. You can see here at the centre how futuristic-looking solutions are possible too. The image shows the German Mining Museum in Bochum, which was designed using a StoSignature technique and consciously draws on the raw material coal.

Chart 25: Strategy rollout – StoVentec Photovoltaics Inlay

The StoVentec Photovoltaics Inlay system, which allows building owners to produce energy from their facade, is incredibly innovative and state of the art. 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. As well as generating solar energy, the system also protects against heat, weather, and sound. It is durable, can be dismantled and recycled, and offers a whole host of design options when used in combination with our cladding and facade coatings. Once again, our many years of experience with system facades are standing us in good stead.

Chart 26: Strategy rollout – Sustainability goals and measures in 2021

The issue of sustainability is not only a key aspect of product development, it is also an overarching theme of our new direction. Sustainability has been affirmed as a core competence of the Group during the strategy review. Essentially, this means that a sustainable approach extends to every area within the Sto Group's sphere of influence and is being implemented at every value-added step.

Thanks to our business model, we already have a really positive impact on climate and environmental protection, because our products contribute substantially to reducing the negative environmental impact of buildings. We

also endeavour to minimise the consequences that our own actions have on the environment. We conserve resources in all areas of the company, increase energy efficiency at our sites, use renewable energy sources, avoid waste, address the issue of the recycling economy intensively, and use compensation measures to offset unavoidable CO₂ emissions. We are working towards making the Sto Group as a whole climate-neutral by 2025.

Our appreciation for the value of sustainability is also expressed in our “Building with conscience.” claim, which represents our mission to contribute to the conservation of value and the aesthetic appeal of buildings. We want to redouble our efforts over the next few years and make sure our entire organisation is doing all it can to be sustainable.

Chart 27: EU Taxonomy

The detailed sustainability report included in our 2021 annual report contains information on the EU Taxonomy for the first time. It is a core component of the EU action plan on sustainable finance, which aims to redirect financial flows towards more sustainable activities in order to be able to finance the transformation of the economy towards sustainability. As a uniform classification system, the EU Taxonomy is to define which economic activities can be declared sustainable and which criteria must be fulfilled for this.

As a manufacturer and marketer of functional systems for energy-efficient building equipment, Sto SE & Co. KGaA and a large number of its subsidiaries carry out Taxonomy-eligible activities in their core business. These mainly relate to the product segments of external wall insulation systems and rainscreen cladding facades. All related sales revenues, investments, and operational costs were classified as Taxonomy-eligible.

Chart 28: Strategy rollout – Distribution centre in Halle

Having our products available on site is an issue that is becoming more and more important: our first distribution centre in Halle, which we opened in autumn 2021, has allowed us to further improve availability. The new logistics site holds stocks of the entire Sto range and has over 10,000 pallet spaces

across a storage area of 11,500 m². Our Sto SalesCentres and construction sites in the north and east are supplied with products directly from here. A logistics analysis performed by the Fraunhofer Institute provided the basis for designing the centre. In the medium term, we will be examining the prospect of establishing another two full-range distribution centres in Germany, with more sites to follow elsewhere in the EU in the longer term.

Chart 29: Course of the year 2022 to date

In the first quarter of 2022 – and now I come to the current year – the Sto Group’s positive business development continued initially: buoyed by the good weather, turnover to the end of March rose by 21.2 % to EUR 368.0 million. When adjusted for currency translation and first-time consolidation effects, this amounted to growth in turnover of 18.8 % compared to the same period in the previous year.

On top of the good weather, project backlogs from the previous year were also making their presence felt as the result of supply-related delays on construction sites, particularly in terms of preparatory works. What’s more, during the first three months we could see pull-forward effects, having announced sales price increases in order to counter the extreme squeeze we were once again experiencing on our gross profit margin. We have already implemented or started to implement some increases in the course of the year to date and have announced an additional round of rises in various Sto companies.

That said, the deficit in the first quarter – due to the distinct seasonal nature of our business activities, Sto does not usually generate positive consolidated earnings in the first few months of the year – has only improved slightly because the price level in procurement has continued to rise substantially. And this pattern repeated itself in the months that followed.

At the end of May, we are pleased to report that consolidated turnover was up on the previous year and exceeded expectations. The highly positive business development seen in the month of May also contributed to this. The gross profit margin has been put under significant pressure and strain during the

first five months even though the decline in the raw profit margin was less pronounced in May than in the preceding months of the 2022 fiscal year. Cumulatively to the end of May, earnings before taxes (EBT) were still below the previous year's level despite pleasing development in May due to the high business volume.

Chart 30: Outlook for 2022

Ladies and gentlemen, as difficult as it is to make any predictions at the moment, I am almost certain of one thing: while 2021 was challenging, 2022 is set to be no less so. Once again, we have a mountain of problems to solve that will require us to stay flexible and respond quickly to new situations. It is not only the consequences of the war in Ukraine that are uncertain: conditions on the procurement markets are changing almost daily and the last two years have sadly shown us that the course of the coronavirus pandemic simply cannot be predicted.

Without factoring in the impact of the Russia-Ukraine conflict, our outlook for 2022 is for a consolidated turnover in the order of EUR 1.74 billion. In this we are assuming average weather conditions and an economic development in line with expectations in Sto's key markets. In addition, our forecast is based on the assumptions that the euro exchange rate will remain largely stable, that the impact of the coronavirus pandemic will not intensify, that our ability to deliver is fully ensured despite the difficult situation on the procurement market, and that the process flows on the construction sites run as planned.

Under these premises, the earnings before interest and taxes (EBIT) are expected to fall between EUR 114 million and EUR 134 million, with forecast earnings before taxes (EBT) of between EUR 112 million and EUR 132 million. The resulting return on sales is hence likely to be between 6.4 % and 7.6 %, with a return on capital employed (ROCE) of between 15.9 % and 18.7 %.

Chart 31: Legal amendments pose certain risks for Sto

In addition to the market risks I have mentioned, planned legal amendments from 2023 will also be a major area keeping us busy, with changes including

the tightening of EU law on chemicals and other fields of law. In our view, the planned amendments pursue political interests rather than being based on scientific findings. For example, when evaluating substances, there are plans to give priority to the hazardous properties rather than the actual risk. This would mean that products whose applications have been tested and proven to be safe would also be banned. What's more, the distinction between professional and consumer applications is set to be dispensed with – a move that fails to give consideration to our highly qualified partners in trade.

For Sto, the changes would have far-reaching and, in some cases, costly consequences. For instance, we would need to make extensive and time-consuming changes to formulations if certain chemical substances are no longer allowed to be used. A ban on proven, safe professional applications would mean that high-quality technical solutions used to protect the surfaces of building elements, for example, would no longer be possible – negatively impacting the sustainable use of buildings.

As a technology leader, Sto is working proactively to adapt formulations with respect to the use of potentially critical ingredients. Our efforts in this area include biocide-free formulations, reducing the content of volatile organic compounds such as solvents, and using renewable raw materials, as I mentioned earlier in relation to the AimS® product family.

Sto products make an important contribution to sustainable construction and, when it comes to implementing the EU Green Deal – something I will be talking about in a few moments – are part of the solution, not part of the problem. Thermal insulation that represents an important way of saving energy and carbon dioxide, high-quality coatings that preserve the value of buildings and increase their service life, and the use of renewable raw materials are just a few examples. Communicating such topics to associations and the political sphere in an objective and transparent manner is also important in order to make a constructive contribution to the shaping of opinion.

Chart 32: ... but are outweighed by the additional opportunities created

In spite of all the risks and uncertainties, overall we are looking to the future with great confidence because it holds some really incredible opportunities for Sto, which we want to seize and capitalise on.

At EU level, the Green Deal, in particular, is expected to drive demand for external wall insulation systems even further – and we should profit from this. This package of measures, which aims to make Europe climate-neutral by 2050, also includes a surge in renovation in the building sector, which plays a crucial role in climate protection – after all, it is responsible for around 40 % of European energy consumption and 36 % of energy-related greenhouse gas emissions.

Currently, only around a quarter of the total building stock in the EU meets modern energy standards. So there is enormous market potential here: 35 million buildings in Europe would need to be renovated by 2030, meaning around 160,000 new jobs could be created in the European construction sector. But this is also where we find one of the biggest obstacles: everyone is aware of the lack of skilled workers, which is an especially big problem in our industry sector.

Over the last few years, several countries have set up government funding programmes to tap into this important climate protection opportunity. 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. I have already mentioned the government funding programmes in Italy and France. They already started to make an impact in 2021 and we were also able to benefit from their effects. There is a corresponding initiative in the UK as well, where the Energy Company Obligation required the major energy suppliers to carry out a certain number of insulation measures per year in socially disadvantaged households.

In addition, the very high gas and heating oil prices we are seeing at the moment is accelerating the need for energy-efficient building refurbishments.

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

Chart 33: Successful launch of the 360° brand campaign

There is no doubt that the star power of the “sto” brand, which stands for values such as passion and professionalism, gives us access to better opportunities. We have continued to develop this brand over the past year and strengthened it with an extensive brand campaign. At the last Annual General Meeting I showed you our film “For the love of building. Building with conscience.” This film is a central tool in our marketing campaign. In the meantime, we have also customised all aspects of our communications – from digital to print media and right down to the lid labels on our Sto pails – to create a uniform look. Our main aim with this campaign is to emphasise the close relationship we have with tradespeople, that is, the construction experts.

Chart 34: Awards

We have a good reputation among this target group, as evidenced by the “Stein im Brett” award, which we won in 2020. This award is presented every two years. Because it is voted for directly by the very tradespeople who work with our products every day, we are always especially delighted to receive this award. More than 2750 construction experts chose their favourites from 140 suppliers in 13 categories, rating them for brand awareness, brand preference, and brand acceptance, along with other factors.

This award is just more evidence of the fact that Sto, as I have mentioned before, is a global market leader in external wall insulation systems. The jury convened by business magazine “Wirtschaftswoche” chose Sto as the winner in the “External wall insulation systems” category once again in 2021.

When it came to the Architects’ Darling Award 2021, around 1700 architects and specialist planners – another very important target group for Sto – voted our company among the best in the industry sector in two separate categories: we won gold for “Best project consultation” and silver in “Paints

and varnishes”.

And, last but not least, we are proud to have the title of “Best employer” in 2022 once more. More than 1300 companies with a workforce over 500 are evaluated in this representative survey, which focuses in particular on employees’ and competitors’ willingness to recommend the company. We are very proud and happy that the majority of Sto employees would recommend us as an employer.

Chart 35: Changes to members of the Foundation Council

Ladies and gentlemen, to close I would like to mention two other issues that do not concern day-to-day business, but which are very significant for Sto. One relates to the Sto Foundation, which is involved in supporting the next generation of painters and plasterers, as well as architecture students.

Jochen Stotmeister, initiator and major backer of the Sto Foundation, left his position as chairman of the Foundation Council at his own request in early 2022. Christoph Manfred Stolz – shown on the far right of this photo – succeeds him as chairman and treasurer. The other current members of the Foundation Council are Professor Ralf Pasel, Till Stahlbusch, Carlo Stotmeister, the son of Jochen Stotmeister, who works as an architect in Munich, Gregor Botzet, and Anne Bambauer.

Since its establishment in 2005, the Sto Foundation has invested a total of EUR 6.5 million in more than 500 national and international projects and in the training of tomorrow’s skilled workers. This work would not have been possible on such a large scale without the financial support of the Stotmeister family, who have reached deeper into their pockets on several occasions. At the beginning of 2021, the four family lines once again increased their donations to the Sto Foundation in equal measure – taking the total amount to EUR 400,000 per year. Sto SE & Co. KGaA adds EUR 600,000 to that amount, so the trustees have a total annual budget of EUR 1 million available to them – allowing the foundation to make a huge contribution to supporting young people.

Chart 36: Dr Zwosta

The second issue I would like to bring up here at the end of my remarks is the departure of our esteemed Chairperson of the Supervisory Board, Dr Max-Burkhard Zwosta. The Executive Board of the personally liable STO Management SE would like to thank Dr Zwosta for the close and successful working relationship we have shared. We particularly valued the fact that Dr Zwosta keenly understood the need to create a constructive and pleasant working environment, even in difficult situations. We wish him all the very best and, above all, good health for the future.

Final chart

Ladies and gentlemen, thank you for your attention. Let's continue pulling together as a team so we can tackle this difficult period through our combined efforts and, most importantly, come out of it healthy.