

Sto SE & Co. KGaA | **2013 Annual Report**

# Sto at a glance

Sto Group	2008	2009	2010	2011	2012	2013	Changes in % 13/12
<b>Turnover</b>	946.7	924.6	986.0	1,106.8	1,141.7	1,166.0	2.1 %
Germany	431.1	450.6	489.2	529.4	524.7	534.7	1.9 %
Non-Germany	515.6	474.0	496.8	577.4	617.0	631.3	2.3 %
<b>Investments</b> (without financial assets)	21.1	20.3	18.2	27.6	36.3	32.4	-10.7 %
<b>Depreciation/amortisation</b> (without financial assets)	24.4	24.5	25.2	29.7	25.9	29.0	12.0 %
<b>EBITDA</b>	107.7	106.8	110.8	134.2	121.1	128.9	6.4 %
<b>EBIT</b>	83.2	82.3	85.6	104.5	95.3	99.9	4.8 %
<b>EBT</b>	76.7	79.2	84.2	103.5	94.6	99.1	4.8 %
<b>EAT</b> (earnings after taxes)	52.1	55.9	58.5	70.3	65.4	68.5	4.7 %
per ordinary share (EUR)	8.08	8.65	9.03	10.89	10.11	10.69	5.7 %
per preference share (EUR)	8.14	8.71	9.09	10.95	10.17	10.75	5.7 %
<b>Cash flow from operating activities</b>	87.5	113.2	93.0	92.7	71.8	80.9	12.7 %
per share (EUR)	13.62	17.62	14.48	14.43	11.18	12.59	12.7 %
<b>Total assets</b>	527.8	568.6	620.1	669.7	684.2	702.5	2.7 %
<b>Equity</b>	284.0	325.3	375.3	426.0	448.8	485.2	8.1 %
in % of total assets	53.8	57.2	60.5	63.6	65.6	69.1	
<b>Employees</b> (year end)	4,155	4,145	4,249	4,695	4,689	4,791	2.2 %
of which in Germany	2,317	2,313	2,358	2,495	2,482	2,586	4.2 %
of which non-Germany	1,838	1,832	1,891	2,200	2,207	2,205	-0.1 %

Sto SE & Co. KGaA (until 26 March 2014 Sto AG)	2008	2009	2010	2011	2012	2013	Changes in % 13/12
<b>Turnover</b>	499.9	508.7	540.5	586.8	587.9	589.1	0.2 %
Export ratio in %	20.6	18.2	16.7	17.5	17.4	16.8	
<b>Investments</b>							
in property, plant and equipment	7.7	6.4	9.2	11.9	17.3	12.3	-28.9 %
in financial assets	1.1	1.0	1.4	16.3	3.9	6.1	56.4 %
<b>Depreciation/amortisation</b> (without financial assets)	13.1	12.7	12.7	12.2	12.2	12.8	4.9 %
<b>Earnings on ordinary activities</b>	63.4	80.8	72.1	83.3	78.2	88.8	13.6 %
<b>Net profit for the year</b>	49.3	65.6	51.1	65.4	62.9	71.7	14.0 %
<b>Cash flow from operating activities</b>	61.2	86.9	84.8	70.6	63.6	75.3	18.4 %
<b>Dividend/bonus</b>							
per ordinary share (EUR)	0.25/2.06	0.25/2.06	0.25/3.06	0.25/4.56	0.25/4.56	0.25/4.56	
per preference share (EUR)	0.31/2.06	0.31/2.06	0.31/3.06	0.31/4.56	0.31/4.56	0.31/4.56	
<b>Total assets</b>	398.9	447.0	458.0	492.0	497.2	526.0	5.8 %
<b>Equity</b>	221.4	272.0	285.5	329.5	361.4	402.0	11.2 %
in % of total assets	55.5	60.9	62.3	67.0	72.7	76.4	
<b>Employees</b> (year end)	1,960	1,947	1,997	2,057	2,100	2,118	0.9 %

(figures in EUR million)

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

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## Picture caption for title page:

The Bikini Haus built in the 1950s by architects Paul Schwebes and Hans Schoszberger in Berlin's Zoobogen is an icon of reconstruction. The concept created by Belgian designer Arne Quinze to refurbish the facade of the reinforced concrete frame as part of the revitalisation of the neighbourhood was revised by Munich-based Hild und K Architekten and executed in 2013 using Sto products. The upshot was a sculpturally "folded" render structure based on the StoTherm Vario external wall insulation system made of specially fabricated 3D insulation panels overlapping one another like scales. The architects' decision to blow particles from the shredded glass panels into the organic final coat (Stolit) is a bridge between the original facade design and the new energy efficient insulating facade.

## Foreword



**Jochen Stotmeister,**  
Chairman of the Executive Board

### Dear Shareholders,

2013 was another eventful year. Before discussing how the business has fared, I would like to broach a matter of company law. The Annual General Meeting's resolution in June 2013 to convert Sto AG into Sto SE & Co. KGaA took effect on 26 March 2014 upon entry in the trade register. Entry was later than we originally planned owing to a lawsuit against the resolution to convert. The entry could not proceed until the lawsuit had been withdrawn on appeal, which only took place in the current financial year 2014. This therefore creates a situation in which the current Sto SE & Co. KGaA is reporting on a fiscal year during which the company operated as Sto AG. This is why the following remarks refer to Sto AG when dealing with events that occurred in 2013. All statements to do with the present or future refer solely to Sto SE & Co. KGaA.

During fiscal year 2013, Sto AG – now Sto SE & Co. KGaA after conversion – performed satisfactorily in what was in certain respects a difficult environment. Consolidated

turnover increased by 2.1 % to EUR 1,166.0 million, despite a very weak start to the new fiscal year owing to the weather. We managed to make good the shortfall in the summer months and thanks to the mild winter. What was important was that we grew outside Germany, increasing our net foreign turnover by 2.3 % to EUR 631.3 million. Domestic turnover rose by 1.9 % to EUR 534.7 million.

Contrary to our original expectations, consolidated earnings before interest and taxes (EBIT) improved by 4.8 % to EUR 99.9 million. This was down to successful cost control efforts. The financial and asset situation in 2013 was also more than solid. Given this stable foundation, the personally liable partner STO Management SE and the Supervisory Board will be proposing an unaltered dividend distribution at the Annual General Meeting on 17 June 2014. This means that limited partnership shareholders are expected to receive an ordinary dividend of EUR 0.31 per limited preference share or EUR 0.25 per limited ordinary share as well as a bonus of EUR 4.56 per limited ordinary and limited preference share.

Other than the factors mentioned at the beginning, what influences shaped the fiscal year 2013? The very marked differences between developments in individual regions were again important as was the fact that we now have a comprehensive international presence and were able to achieve overall growth despite losing ground in individual countries.

A further dominant feature was the threatening environment for the EWIS sector in Germany, which triggered declining sales. As the market leader, this also affected Sto, although the strong performance of our sales and marketing organisation limited losses. For the past two years, the EWIS market has been experiencing consolidation following a phase of strong growth. In addition to the high level of sales that had then been achieved, the increasing caution among building investors and house builders

also played a role. This in turn was related to the longstanding unanswered question as to how initiatives to overhaul energy efficiency are to be incentivised in future by financial or fiscal means – a state of affairs that the vague statements in the current government's coalition agreement have done nothing to alter. We want to see an early and clear political signal in favour of climate protection and employment.

The customers' wait and see attitude was further reinforced by the simmering debate in Germany on the knock-on environmental impact of facade systems, fire protection issues and building culture. Much of the criticism levelled in this dispute can be rebutted with facts and figures. But objective public information is constantly being made more problematic by contradictory and occasionally exaggerated reports in the media. We reaffirm our view that Sto takes all issues seriously, helping wherever possible to inject objectivity into the debate through open communication built around dialogue. At the same time, however, as a listed company, we have to be very sensitive in what we do because everything relating to our core external wall insulation system business can very quickly become relevant to our share price. That is why there are frequently situations in which we are unable to communicate as assertively as we perhaps wish.

All in all, the general situation for facade systems is currently very uncertain. On the one hand, there are numerous arguments in favour of using EWIS. Foremost among these arguments, in addition to those to do with the environment, is that politicians are still committed to climate protection and CO<sub>2</sub> reduction, as well as restructuring the energy sector. The latter cannot be achieved without improving the energy efficiency of the economy as a whole – which means insulation initiatives. On the other hand, the increased use of facade systems over many years has prompted critical voices lamenting a certain regionally-evident architectural uniform-

ity. Latterly, the resulting debate on building culture has visibly become sidetracked with individual issues. Here we might mention the argument over fire hazards or protective measures, which evoke strong emotions and fear among people. As experience of other sectors shows, industry associations or companies have little or no influence on such subjective factors. Hence, scarcely any reasonable forecast of how EWIS sales will develop in future is possible.

Irrespective of where the discussion on facade systems goes from here, Sto – as it has frequently demonstrated in the past – will continue to face all challenges constructively and work to find appropriate solutions. Our fundamental optimism is based on a number of factors. Firstly, the Sto product range is comprehensive. We are already capable of offering suitable facade systems featuring alternative insulation materials for numerous possible applications. Our subsidiary StoVerotec GmbH, for example, which manufactures ventilated rainscreen cladding facade systems and supplies them to other companies within the Group, also contributes to this versatility. In future it will make its products increasingly available to new target groups such as industrial customers. The Verotec offering also includes acoustic systems, which in turn reinforce our successful interiors business unit. We also see good potential in the floor coating and concrete restoration sector, although we have recently made slower headway here than we had hoped.

The second reason for our optimistic outlook is the successful internationalisation mentioned at the outset. We again drove this forward in 2013, our attention being especially directed towards expanding our activities in the American and Asian regions. Developing our international business was and continues to be one of the cornerstones of our strategy. It enables us to tap into additional sales potential while at the same time reducing the importance of the German market.

Other central planks of our strategy are developing the second distribution channel, stepping up our R&D activities and measures to boost Sto's attractiveness as an employer. We scored a signal success at the beginning of 2014 with external recognition of our consistent human resources policy focused on the individual employee. In a comprehensive investigation of the best job conditions in Germany Sto took a very creditable 45th place among 2,000 companies analysed; in the group of large chemical enterprises, Sto even came in second place. That means that despite its peripheral location in the south of the Black Forest, our company is among Germany's top 50 best employers.

Also of strategic importance for us is strengthening Sto's Group expertise. Our acquisition in 2013 of the natural stone company Johann Neumeyer & Brigl GmbH & Co. KG based in Eichstätt in Bavaria was a step forward in this respect. With its own reserves of raw materials, the company produces high quality natural stone slabs for floor tiles and wall coverings suitable both for facades and interiors. This is the ideal finishing touch to our product range and enhances the value of our offering.

On the subject of Corporate Social Responsibility, we also want to position our company even more clearly. A key part of this is our participation in the UN's "Global Compact" initiative. We support, without reservation, the ten principles contained in the initiative addressing human and labour rights, environmental protection and measures against corruption; and we undertake to promote them within the scope of our responsibility. We have also set up our own sustainability department. The section of this Annual Report covering sustainability will provide you with an overview of our sustainability activities last year. At the same time, this corresponds to the requirements of the annual progress report to be drawn up according to the "Global Compact".

Sto's commitment in the area of "Corporate Social Responsibility" illustrates our conviction that a sustainable approach is a fundamental prerequisite if the company is to develop positively in the long term. Our past commercial success vindicates us in this respect. A further aspect is that we have always seen ourselves as a family company and behaved accordingly. We – namely the Stotmeister family, Sto SE & Co. KGaA and the members of the board of the personally liable partner, STO Management SE – represent traditional values, responsibility and a sense of duty, thereby earning the trust of our customers, employees and all other stakeholders and shareholders.

This is why we wish to preserve Sto's character as a family company in future, even if there will no longer be any Stotmeister family members among the company's executive management for the foreseeable future. This was the objective of Sto AG's transformation into Sto SE & Co. KGaA decided on by the Annual General Meeting in 2013 and now finalised on 26 March 2014.

We have thereby successfully charted our future course and are optimistic about being able to sustain Sto's earnings-oriented growth trajectory in the long term. To that end, we have created a solid initial platform: Sto enjoys a good market position, is both strategically and financially excellently endowed and operates in a global market with an intact upward trend. We also possess a strong brand, an advantage not to be underestimated, especially in difficult times. The fact that, here too, we are in the front rank was borne out by a comprehensive study on "Marken der deutschen Hidden Champions" [brands of Germany's Hidden Champions]. Here, Sto was ranked at a very healthy tenth place in 2013.

We have embarked on the current financial year 2014 with great anticipation as the past few months in particular have demonstrated once again just how enormously important

weather conditions are for the sector and our company. Whereas the first quarter in Germany and Europe went well for Sto, the harsh winter in North America held our business back. In addition, the worldwide environment remains difficult in 2014, once again limiting opportunities for growth. Nevertheless, we are anticipating an increase of around 5 % in the Group's consolidated full year turnover to approximately EUR 1,225 million. The way things are looking at the moment, consolidated earnings before interest and taxes (EBIT) will be between EUR 90 and 100 million. Our financial and asset situation will remain solid.

Among Sto's major strengths are its qualified and committed employees, whom I would like to thank on behalf of the Executive Board of STO Management SE for the exemplary service and dedication they have once again showed during the previous fiscal year.

Sincerely,



**Jochen Stotmeister**

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

## Report of the Supervisory Board



### Members of the Supervisory Board

**Fritz Stotmeister,**  
Öhningen/Germany | Honorary Chairman

**Dr. Max-Burkhard Zwosta,** Wittnau/Germany,  
Chartered accountant and tax consultant | Chairman (image)

**Holger Michel\*,** Dresden/Germany,  
IG BCE trade union secretary | Deputy chairman

**Gertrud Eisele,**  
Stuttgart/Germany, Managing  
Director of the advertisement  
agency Wire Süden GmbH

**Helmut Hilzinger,**  
Willstätt/Germany, Managing  
Shareholder of Hilzinger GmbH

**Prof. Dr.-Ing. Klaus Sedlbauer,**  
Rottach-Egern/Germany, Chair of  
Construction Physics Faculty at  
Stuttgart University and Head of the  
Fraunhofer Institute

**Charles Stettler,**  
Stäfa/Switzerland, banker/freelance  
member of the Administrative Board

**Peter Zürn,**  
Westernhausen/Germany, Member  
of the Management of the Würth  
Group

**Uwe Bruchmüller\*,**  
Thalheim/Germany, IG BCE trade  
union secretary, Baden-Württem-  
berg, until 31 December 2013

**Wolfgang Dell\*,**  
Hattersheim/Germany, responsible  
for Installation Engineering Mainte-  
nance, Sto SE & Co. KGaA

**Lothar Hinz\*,**  
Reutlingen/Germany, Chairperson  
of the Group Employee Representa-  
tive Council and Chairperson of the  
Employee Representative Council  
for the Baden-Württemberg sales  
region of Sto SE & Co. KGaA

**Barbara Meister\*,**  
Blumberg/Germany, Deputy Chair-  
person of the Group Employee Rep-  
resentative Council and Chairperson  
of the Weizen Employee Representa-  
tive Council, Sto SE & Co. KGaA

**Jan Nissen\*,**  
Trossingen/Germany, Head of  
Materials Management within  
the Sto Group

\* Employee representatives

**Dear Shareholders,**

Once again in the 2013 fiscal year, the Supervisory Board of Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) was actively involved in developing and positioning the Group. It carefully and conscientiously discharged the duties incumbent upon it by statute law and the company's articles of association. The Supervisory Board operates within the framework laid down by the rules of procedure. The Supervisory Board's well established structures, attuned to the recommendations of the German Corporate Governance Code, once again proved to be very helpful to its work. We regularly check the efficiency of our work.

**Constructive cooperation**

The Supervisory Board continually assisted the Executive Board with advice, as well as accompanying and monitoring its work on an ongoing basis throughout the fiscal year 2013. This was critically dependent on the Executive Board's regular, timely and comprehensive briefing of the Supervisory Board on all relevant strategic and planning issues relating to the Sto Group's operational business development and situation, including its position with respect to risk, risk management, and compliance. Departures of business trends from defined plans and targets were explained to us in detail, and the company's continued strategic development and orientation were coordinated with us. Consultations between the Supervisory Board and Executive Board in the fiscal year 2013 were always constructive and characterised by openness and trust.

The Executive Board provided the Supervisory Board with the required information mainly in the form of comprehensive, written monthly reports. For business transactions requiring its approval, the Supervisory Board was handed documentation specific to the issues at hand, providing the basis for detailed discussion by

the Supervisory Board and the subsequent decision-making process. During all decision-making processes, the Supervisory Board and the Executive Board observed the principles of corporate governance at all times.

The Chairman of the Supervisory Board – this is true both of the Sto AG Supervisory Board for the fiscal year 2013 and of the Supervisory Board in office with the self-same individuals and company boards in the wake of the implementation of the resolution to convert taken at the Sto AG Annual General Meeting of 12 June 2013 by entering Sto SE & Co. KGaA in the trade register of the district court of Freiburg on 26 March 2014 – coordinates the Board's work, chairs its meetings and represents the Supervisory Board's interests with respect to outside parties. In the fiscal year 2013 he was also in regular contact with Executive Board members in between official meetings, and since then with the members of the board of the personally liable partner of Sto SE & Co. KGaA, STO Management SE. In 2013, he attended several Executive Board and strategy meetings. He was also involved in numerous discussions in person and on the phone, focusing, above all, on issues relating to the strategy, planning, business development, compliance, risk position and risk management of the Sto Group.

**Key issues dealt with by the Supervisory Board**

During fiscal 2013, the Supervisory Board held four regular meetings, on 25 April, 25 July, 24 October and 18 December. In addition, there was an extraordinary meeting on 18 April in the course of which the Supervisory Board was briefed on the proposal to convert Sto AG into an SE & Co. KGaA and during which initial discussions on the subject took place.

When required, the Supervisory Board also met without the Sto AG Executive Board. Amongst the topics discussed on a regular basis as part of our meetings were the current busi-

ness situation, the effectiveness of the risk management and internal control systems, along with strategic issues. The Board was quorate at all times; no Supervisory Board member missed more than half of the meetings held.

At the first ordinary meeting on 25 April 2013 the scrutiny of the 2012 annual financial statements of Sto AG and of the Sto Group was on the agenda in addition to the regularly occurring matters. Following an in-depth discussion, the Supervisory Board approved the annual financial statement of Sto SE & Co. KGaA with no dissenting votes. It has thus been confirmed. Also the annual financial statement for the Group was unanimously approved. Another important matter was the discussion of the proposition to convert Sto AG into an SE & Co. KGaA. Following an intense discussion, the Supervisory Board, together with the Executive Board, agreed to the proposal to present the conversion of Sto AG into Sto SE & Co. KGaA for approval by the Annual General Meeting on 12 June 2013. The Board also deliberated on various investment projects previously examined by the investment committee, such as the optimisation of the production network in the USA.

On 25 July, the Supervisory Board discussed in detail the income, financial and asset situation of the Sto Group in the first half year of 2013. We were also privy to a detailed explanation of the strategy in the important facade business field as well as being given presentations on other internationalisation strategy milestones.

Important topics at the meeting on 24 October were initiatives to optimise in-house Group financing as well as investment measures for enhancing the IT infrastructure throughout the Group. The Sto Group's new Head of HR also gave us a presentation on the current strategy in this area with a focus on continuing to increase Sto's attractiveness as an employer. We then received a presentation on the brand strategy, the objective of which is to improve

Sto's brand awareness beyond its already high level. The Supervisory Board also discussed how the business had developed over the first nine months of 2013.

At the meeting held on 18 December, Sto AG's Executive Board presented us with its planning for the 2014 fiscal year. Following a detailed explanation and an exhaustive analysis, the Supervisory Board approved this planning together with the accompanying budget. Other topics were measures for a progressive development of the South American market as well as a status report on developing the second distribution channel within the Sto Group. In addition to that, the Supervisory Board dealt in detail with Sto's Corporate Governance, taking our lead from the German Corporate Governance Code. We discussed the efficiency of the Supervisory Board's work, scope for possible improvements and current amendments to the Code and their impact on Sto AG. The Declaration of Conformity in accordance with Section 161 of the German Companies Act (AktG) was amended. This document is permanently available on the Sto internet site at [www.sto.de](http://www.sto.de): select the "Investor Relations" section under "Company". The deviations from the recommendations of the Code that it describes primarily arise from the specific requirements of a medium-sized family business. Furthermore, we decided to extend Gerd Stotmeister's contract as a member of the board to 31 December 2018 while according him the right to terminate it earlier on 31 December 2016. Gerd Stotmeister accepted the offer on 18 December 2013.

### **Work of the committees**

A suitable instrument for raising the efficiency of the Supervisory Board's work is the formation of committees. These committees deal in depth with complex factual issues outside the meetings themselves and prepare them for presentation to the full Board, and so that they can be used for decision-making processes.

The chairpersons concerned regularly report to the Sto Supervisory Board on the work of the committees.

The Sto Supervisory Board formed the following committees: an **Audit Committee**, which deals in particular with monitoring the accounting process and the effectiveness of the internal control and inspection system, as well as other issues of accounting, auditing, risk management and compliance. The most important project was the analysis and preliminary examination of the annual financial statements of Sto AG and the Sto Group with representatives of the auditor. In addition, it will also conduct a regular and detailed analysis of emerging trends in key financial indicators, particularly turnover and income, on the basis of monthly figures. The Chairman of the Audit Committee is Charles Stettler, a banker and freelance member of the Administrative Board, whose professional experience has given him a profound knowledge of how to apply accounting principles and internal control procedures. The **Investment Committee** mainly discusses investment plans and checks the budgets required in each case. Both committees normally meet prior to the ordinary Supervisory Board meeting – that means they met four times in 2013.

The **Personnel Committee** primarily dealt with contractual matters which are relevant to the Executive Board, and with payment structures within the company. It met once in 2013.

The **Organisation Committee**, which also met once, planned and prepared the meetings of the Supervisory Board and the Committee; this work looked at aspects such as efficiency.

It was not necessary to convene an **Arbitration Committee** pursuant to Section 27, par. 3 of Germany's Co-Determination Act (MitbestG).

### **Auditing of the Group and separate financial statement 2013**

At the Annual General Meeting of 12 June 2013, Ernst & Young GmbH Wirtschaftsprü-

fungsgesellschaft, Stuttgart, were appointed auditors for fiscal 2013. Ernst & Young GmbH assured the Supervisory Board in writing that there were no circumstances that could impair their independence as auditors of the annual financial statements. We therefore assigned the auditing tasks to the company. Ernst & Young GmbH audited the annual financial statements and the management report of Sto SE & Co. KGaA, prepared by the personally liable partner of Sto SE & Co. KGaA for the 2013 fiscal year in accordance with the HGB (German Commercial Code), the consolidated annual financial statement and Group management report, prepared on the basis of International Financial Reporting Standards (IFRS), and the dependent company report of the Executive Board of the personally liable partner STO Management SE in accordance with Section 312 of the German Companies Act (AktG); and provided each of them with an unqualified Audit Certificate. The management reports provide an accurate depiction of the business and financial situation of Sto SE & Co. KGaA and of the Sto Group. The opportunities and risks of future development are described accurately. The audit by Ernst & Young GmbH was performed pursuant to Section 317 of the German Commercial Code (HGB), in accordance with the generally accepted auditing principles defined by the German Institute of Chartered Accountants (IDW).

Ernst & Young GmbH also examined the efficiency of the functional early risk detection system in accordance with Section 91 of the German Companies Act (AktG) and the accounting-related internal control system, and judged them both to be fit for purpose.

The annual financial statements of Sto SE & Co. KGaA and the Sto Group, the management reports, the dependent company report of the personally liable partner STO Management SE and the audit reports prepared by Ernst & Young GmbH were distributed to all the members of the Supervisory Board in due course and

discussed in detail in the presence of the auditors at the financial meeting of the Supervisory Board on 25 April 2014. On the basis of our own inspection measures, we agree with the findings presented by Ernst & Young GmbH. No objections were raised. The auditors issued the dependent company report with the following audit certificate: "Following our audit, which we carried out in conformity with professional standards, and subsequent assessment, we confirm that the factual information in the report is correct. and that the company's payments in respect of the transactions identified in the report were not excessive." The Supervisory Board approved the Sto SE & Co. KGaA annual financial statement for the 2013 fiscal year in the version prepared by the personally liable partner and recorded in the auditor's report as well as the 2013 fiscal year's consolidated annual financial statement of Sto SE & Co. KGaA, in the version prepared by the personally liable partner and recorded in the auditor's report.

We supported the proposal by the personally liable partner to propose paying the same level of dividend as last year. Accordingly, once the resolution has been passed by the Annual General Meeting, limited partnership shareholders will again receive a basic dividend of EUR 0.31 per limited partnership preference share or EUR 0.25 per limited partnership ordinary share as well as a bonus of EUR 4.56 for each limited partnership preference and limited partnership ordinary share.

#### **Thanks to the Executive Board and employees**

The Supervisory Board thanks all the members of the board of Sto AG, and now of the personally liable partner STO Management SE, the managers and employees of Sto SE & Co. KGaA for their continued very good work, which notwithstanding an occasionally difficult environment again resulted in a very solid business performance in 2013. The Supervisory Board

again wishes all employees and managers every success for the current year.

Stühlingen, April 2014  
The Supervisory Board



**Dr. Max-Burkhard Zwosta**  
Chairman

# Corporate Governance Report/Declaration on management of the company

## Corporate Governance at Sto

The personally liable partner STO Management SE and the Supervisory Board of Sto SE & Co. KGaA are committed – as is the Executive Board of Sto AG – to responsible, transparent and long-term management of the company (Corporate Governance). Adherence to statutory regulations and ethical standards, a sound financial policy, and a strategy of sustainability have been part and parcel of Sto's corporate philosophy ever since the company was founded. The regulations, recommendations and proposals contained in the German Corporate Governance Code (hereinafter referred to as "Code") are to a large extent an integral part of our actual Sto culture.

Departures from the Code only occur in matters that specifically relate to medium-sized family businesses. In these cases, correspondingly adapted arrangements are applied. Departures from the recommendations of the Code in its current version of 13 May 2013 and the respective reasons for doing so are explained in the Declaration of Conformity in accordance with Section 161 of the German Companies Act (AktG). The current version at any given time is available for download from the Internet. Previous declarations can be viewed here as well.

Below is our report on corporate governance at Sto in accordance with No. 3.10 of the Code. It provides for the Corporate Governance Report to be published together with the declaration on management of the company. With this in mind, we have combined both reports into the present document that can also be found in the "Investor Relations" area on the Sto website [www.sto.de](http://www.sto.de).

## Shareholders and the Annual General Meeting

At the end of 2013, Sto AG's share capital amounted to EUR 17,556 million. The share capital was divided up into EUR 4,32 million

registered common shares and EUR 2,538 million preference bearer shares. Each ordinary share carries the right to one vote at the Annual General Meeting. Preference shares did not have voting rights but took priority for the purpose of profit distribution and are entitled to a higher dividend. There were no shares with multiple or preferential voting rights. The implementation of the decision taken at Sto AG's Annual General Meeting on 12 June 2013 to convert to Sto SE & Co. KGaA by way of entry in the trade register on 26 March 2014 has not materially changed this situation. The previous total of ordinary shares corresponds to the number of limited partnership ordinary shares now and the previous total of preference shares corresponds to the number of limited partnership preference shares now. The share capital and voting rights for Sto SE & Co. KGaA also mirror the situation with the previous Sto AG.

Sto limited shareholders exercise their rights in accordance with the relevant statutory provisions before or during the Annual General Meeting, which takes place once a year. The personally liable partner of Sto SE & Co. KGaA ensures the timely dispatch of all reports and records required by legislation for the Annual General Meeting, including the agenda. These documents are also readily available on our Internet site.

At the Annual General Meeting, the personally liable partner of Sto SE & Co. KGaA presents the annual financial statements of the previous fiscal year for Sto SE & Co. KGaA and the consolidated annual financial statement of Sto SE & Co. KGaA, as well as the management/Group management report for the previous fiscal year for the approval of the annual financial statements by the Annual General Meeting and of the consolidated annual financial statements for its information, and comments on key events. Each shareholder is entitled to attend the Annual General Meeting, to rise to speak at the meeting in relation to

items on the agenda, and to ask questions and to propose motions on specific issues.

### **Management and control structure**

The corporate headquarters of Sto SE & Co. KGaA are located in the southern German town of Stühlingen. This means that Sto SE & Co. KGaA and the Sto Group are subject to German law, to which our Corporate Governance activities must conform. In relation to the stock market listing and the financial market, the German Companies Act and in particular all the regulations of the capital market law must be adhered to. Also important for Sto are the German Commercial Code, the International Financial Reporting Standards (IFRS) and the German Co-Determination Act.

Sto SE & Co. KGaA is managed by STO Management SE as the personally liable partner, whereby its Management Board is subject to the oversight of the twelve-strong Supervisory Board of Sto SE & Co. KGaA. Accordingly, the management of the Company and the process of monitoring it are strictly separated. Both the personally liable partner and the Supervisory Board of Sto SE & Co. KGaA abide by the standards of proper corporate management at all times and collaborate closely for Sto's benefit.

The **personally liable partner STO Management SE**, the board members of which are presented on pages 16 and 148 of this present Annual Report, manages the company 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. The personally liable partner also develops the strategic alignment of the company, consults on this with the Supervisory Board of Sto SE and Co. KGaA, and ensures this strategy is implemented. It makes any arrangements necessary to ensure compliance with legal requirements and internal corporate guidelines within the Sto Group. Its responsibilities include

preparing Sto SE & Co. KGaA's annual financial statements and associated consolidated annual financial statements. Its tasks also include establishing and developing the risk management system. Detailed information about risk management is provided on pages 39 to 48 of this Annual Report. The personally liable partner pays attention to diversity when filling management positions in the company and in particular aims to ensure that women are adequately taken into account.

The **Supervisory Board of Sto SE & Co. KGaA** is equally composed of shareholder and employee representatives in accordance with the German Co-Determination Act. The members are listed on page 6 of the report of the Supervisory Board, as well as on pages 149 to 151. The work of the Supervisory Board is regulated through rules of procedure. The key tasks of the Supervisory Board are to monitor and advise the Executive Board of the personally liable partner STO Management SE, which manages Sto SE & Co. KGaA's affairs. For any matters that are of fundamental importance to Sto SE & Co. KGaA, the Supervisory Board becomes involved in the decision-making process from the outset. The Supervisory Board ensures that the personally liable partner STO Management SE and its Executive Board comply with the statutory disclosure rules in the manner detailed at greater length by the Supervisory Board, as required by law.

At Sto, the Supervisory Board is briefed by the personally liable partner on a regular, timely and comprehensive basis about all relevant matters relating to the strategy, to planning and business development as well as the risk situation and risk management. Any departures in performance of the business from defined plans are discussed. The Supervisory Board is provided with all crucial documents in a timely manner.

It is the job of the Chairman of the Supervisory Board to coordinate the Board's work, steer

its meetings, and represent its interests externally. He maintains close contact with the members of the Executive Board of the personally liable partner STO Management SE between meetings, discussing issues including strategy, business development and risk management.

On the basis of the findings of the auditor, the Supervisory Board carries out an inspection of its own of the annual financial statements of the Sto Group and Sto SE & Co. KGaA. Moreover, the half-year financial report and the interim reports are discussed with the Chairman of the Supervisory Board within the first and second half of the year prior to their publication. The Chairman consults then consults with other members.

In determining the composition of the Supervisory Board, the limited partnership shareholders of Sto SE & Co. KGaA ensure that the necessary expertise, skills and professional experience required to properly discharge the Board's responsibilities are represented. All members of the Sto Supervisory Board are proven experts in their respective fields. They are solely responsible for engaging in education and training measures that will enable them to carry out their duties as a Supervisory Board member, and receive appropriate support from Sto SE & Co. KGaA in doing this. We also support diversity as required by the Code.

The remuneration that Sto Supervisory Board members receive is at a level that appropriately reflects their duties and the position of the Sto Group. For more information on remuneration, please refer to pages 21 and 147 of the present annual report, and to the Declaration of Conformity in accordance with Section 161 of the German Companies Act (AktG).

The Supervisory Board holds regular meetings. In fiscal 2013 there were four ordinary and one extraordinary meeting. The Supervisory Board report contains detailed information on the topics discussed. This report can be found on pages 6 to 10 of the Annual Report. If

required, meetings of the Supervisory Board are separately prepared by the shareholder and employee representatives.

The Supervisory Board regularly checks the efficiency of its work. One way to improve efficiency is through appropriately qualified committees. Sto SE & Co. KGaA features an Audit Committee and an Investment Committee. A Nomination Committee is also formed before Supervisory Board elections. The next elections will take place at the Annual General Meeting in 2017.

In the periods leading up to the Supervisory Board meetings, these committees generally deal with complex issues and prepare the findings in appropriate form for the full Supervisory Board meetings or for the purpose of decision-making. The Chairperson of the relevant committee provides the Supervisory Board with reports on the committee's work. The Chairperson of the Audit Committee is independent and cannot serve simultaneously as the Chairperson of the Supervisory Board. As a financial expert he has the specialist knowledge required for this position, and did not belong to the Executive Board of Sto AG during the past two years.

#### **Other company management practices**

In addition to legislative regulations and the Corporate Governance Code, there are other company management practices that Sto SE & Co. KGaA applies. These include not only internal regulations, but also external standards such as the **"Global Compact"**, a worldwide initiative set up under the auspices of the United Nations. We joined this in 2009. In the "Global Compact", the UN calls on participants to adhere to and implement ten principles taken from the areas of human rights, labour standards, environmental protection and anti-corruption practice. For Sto, this particularly includes the issues of diversity. We take great care throughout the Group to ensure that no individual is disadvantaged on the grounds of

his or her gender, skin colour or religious views. As already described, this applies in particular when it comes to filling management posts. Additional measures that we have put in place for this purpose are outlined under the "Sustainability and Corporate Social Responsibility" section of the 2013 Annual Report. This report also represents the annual Communication on Progress (COP) required by the "Global Compact".

Our most important internal regulations include the "Principles for Cooperation and Management within the Sto Group", a set of Group-wide practice guidelines for all employees and managers. As well as rules for internal cooperation, these principles also include information on adhering to the "Global Compact" principles, for example.

### Transparency

Sto SE & Co. KGaA is even-handed in keeping its shareholders, financial analysts, the media and the general public informed. We provide all shareholders and stakeholders regularly and promptly with information about the economic situation and trends and about key events within the company. To this end, we use numerous instruments such as the annual and half-yearly financial reports as well as interim announcements within the first and second half-year. In addition, current topics are dealt with in press releases.

Annual and half-yearly reports as well as interim announcements are lodged with the Companies Register and the German federal government gazette ("Bundesanzeiger") on the day of publication. These documents – as well as any current press releases – are simultaneously posted on the Internet at [www.sto.de](http://www.sto.de) under the heading "Company" in the "Investor Relations" section. The use of various communication channels ensures that all shareholders and other target groups are informed at the same time. As soon as any insider information

directly affecting Sto emerges, we immediately report such information in accordance with the relevant legal provisions of Section 15 of the German Securities Trading Act (WpHG), i.e. even outside our regular reporting cycle.

All key dates for publications and functions are listed in the calendar of financial events, which is announced well in advance. The latest financial calendar, valid as of the end of March 2014, is reproduced on page 154 of the 2013 Annual Report. The current version of the calendar can also be viewed on the Internet.

According to Section 15a of the Securities Trading Act (WpHG), members of the management board and thus of the personally liable partner and of the supervisory board of publicly listed companies have a duty of notification. This means that all persons with management functions at STO Management SE or Sto SE & Co. KGaA must disclose any private transactions involving Sto limited partnership preference shares (Directors' Dealings) to the Federal Supervisory Authority for Financial Services (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and to Sto SE & Co. KGaA within five working days. No notifications of Directors' Dealings occurred in fiscal 2013.

### Accounting and auditing of financial statements

The accounting of the Sto Group is based on the internationally recognised principles of the International Financial Reporting Standards (IFRS). Detailed information on these Standards is set out in the Notes to the Annual Report 2013. The annual financial statement of the parent company Sto SE & Co. KGaA are prepared in accordance with the German Commercial Code (HGB). The annual financial statements of both Sto SE & Co. KGaA as well as the consolidated annual financial statement of the Sto Group, including the associated management reports, are audited by an independent auditing company elected at the Annual

General Meeting following a proposal by the Supervisory Board. The nomination proposal 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 can be precluded from the outset. The auditing company commissioned by Sto has issued an appropriate statement in this regard. The auditor responsible takes part in the deliberations of the Supervisory Board of Sto SE & Co. KGaA concerning the annual financial statements and the consolidated annual financial statement and reports on the key findings of his audit at the Audit Committee meeting.

## Management Report for the Sto Group (IFRS)



The Executive Board (from left): Rainer Hüttenberger, Rolf Wöhrle, Gerd Stotmeister und Jochen Stotmeister

### Members of the Executive Board (in fiscal year 2013)

**Jochen Stotmeister,**  
Grafenhausen/Germany | Chairman of the Executive Board, responsible for strategy and corporate development, central services, personnel and internal auditing

**Rolf Wöhrle,**  
Bad Dürkheim/Germany | Chief Financial Officer, responsible for finances, controlling, and information technology

**Gerd Stotmeister,**  
Allensbach/Germany | Deputy Chairman of the Executive Board, Chief Technical Officer, responsible for process engineering, innovation, materials management and logistics

**Rainer Hüttenberger,**  
Stein a. Rhein/Switzerland | Chief Marketing and Sales Officer

Upon completion of the conversion of Sto Aktiengesellschaft (hereinafter also referred to as Sto AG) into Sto SE & Co. KGaA, by virtue of entry in the trade register on 26 March 2014, the business affairs of Sto SE & Co. KGaA will be conducted by its personally liable partner STO Management SE, Stühlingen. Its board members are identical to those of the former Executive Board of Sto AG, as stated above.

## The fiscal year 2013 at a glance

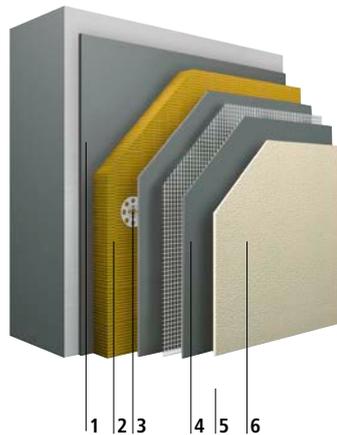
- Sto consolidated turnover up by 2.1 % to EUR 1,166.0 million
- Foreign business up 2.3 % to EUR 631.3 million
- Domestic sales up 1.9 % on the previous year's level at EUR 534.7 million
- 4.8 % improvement in consolidated EBIT to EUR 99.9 million
- Pre-tax profits of EUR 99.1 million (previous year: EUR 94.6 million)
- Return on sales of 8.5 % (previous year 8.3 %)
- Attractive dividend payout: bonus unchanged at EUR 4.56, with basic dividend at EUR 0.31 per limited partnership preference share and EUR 0.25 per limited partnership ordinary share
- Cash flow from operating activity at EUR 80.9 million (previous year: EUR 71.8 million)
- Expansion in Group's workforce from 4,689 to 4,791 employees
- Resolution by the Annual General Meeting of 12 June 2013 on the conversion of Sto AG into Sto SE & Co. KGaA (completed with entry in trade register on 26 March 2014)
- Group outlook for 2014: anticipated growth in turnover of approximately 5 % and EBIT from EUR 90 to 100 million

## A. Group fundamentals

### Business model

#### Sto – specialising in facades

With a turnover of approx. EUR 1.2 billion and around 4,800 employees the Sto Group is one of the major international manufacturers of products and systems for building coatings. Its core business focuses first and foremost on external wall insulation systems (EWIS), a segment in which our company occupies a leading position, and also on rainscreen cladding systems (RSC). Both of these are pooled in the **Facade Systems** product group, which accounted for a total of 48.5 % of Group turnover in the 2013 fiscal year. The **Facade Coatings** product group, which includes render and paint systems for external applications, made up 24.8 % of the turnover. The Sto product range also includes **products for interiors**, such as render and paint systems optimised for home and office interiors, decorative coatings and acoustic systems



The StoTherm Mineral facade insulation system was awarded the Blue Angel for environmentally friendly thermal protection.

- 1 Bonding
- 2 Insulation
- 3 Fixing
- 4 Reinforcing coat with glass fibre mesh
- 5 Intermediate coating
- 6 Top coat

for regulating room noise (share of turnover: 13.1 %). Furthermore, we produce and distribute high-quality floor coatings and products for concrete restoration, for example.

In geographical terms, the Sto Group's most important market is **Western Europe**, where in total we generated 78.8 % of our business volume – including Germany – in 2013. We also operate in **North America** and **Asia** (11.4 %

share) as well as in **Northern and Eastern Europe** (9.8 % share). Our corporate management is primarily focused on these regions. The geographical segments of Western Europe and Other were created with the latter being broken down into the regions of Northern/Eastern Europe and the Americas/Asia in line with in-house reporting. The most important individual market remains **Germany**, accounting for 45.9 % of Group turnover in the past fiscal year. The Asian markets – especially China – are becoming increasingly important and we are currently actively developing them. In the medium-term, we aim to expand our activities in the Americas in a targeted way.

#### The Sto brand for professionals

Sto has positioned itself in the market for building coatings as a **supplier of quality products and systems** with a high degree of technological expertise and a comprehensive range of services. The range is therefore primarily targeted at professional users such as painters, plasterers and building contractors, as well as architects and planning offices. These target groups are supported on site by means of a **direct distribution system** which, in the core market Germany, covers almost the entire country. Sto has also been developing a **second distribution channel** for a number of years now. Since then, wholesalers and specialist retailers have been successfully providing selected products that we have clearly defined as distinct from our core business and have their own market niche: these include lacquer and filler. Since we see additional potential in this channel, we intend to expand it gradually over the coming years.

The Sto's **Group expertise** is another strategic factor in its success. Our Group boasts extensive know-how not only within our core business, but also in related areas such as design and consultancy services and the use of alternative coating materials or claddings such as stone facades. Thanks to our Sto offer mod-

ules, which complement one another perfectly, we can provide our customers with everything relating to facades from a single source and give building owners maximum freedom to create their own designs. The individual components of our range of services are also exactly matched, ensuring a high-level efficiency during the application process.



Our consistent implementation of this business model, which is based on expertise, quality and customer benefits, as well as our uniform market presence in every country, have established the Sto name as one of the **most internationally recognised product brands** in the industry. We revised our successful brand strategy in 2013, tailoring it to current conditions. This involved analysing and defining our future positioning. In future we aim to position Sto even more consistently as the customers' partner. The refined brand strategy is based on the four pillars "close", "experienced", "performing" and "advanced" – success factors we wish to associate even more closely with the name Sto.

#### Additional competitive strengths: innovation and internationalisation

Sto's **innovative strength** also contributes to the brand's positive image. Our company is internationally regarded as a technological pacesetter in the industry. To consolidate this leading position while also developing new growth markets, research and development are considered core strategic activities at Sto. This is also enshrined in our corporate vision "Technology leader in the sustainable design of living space tailored to human needs. Worldwide". Further information is to be found in the section "Research and development".

Our early decision to transfer our business model (originally developed for German-speak-

ing regions) to other countries and to systematically **tap into foreign markets** has also had a favourable impact on the company's long term growth. At the end of December 2013 the Sto Group has an active market presence in 30 countries with 40 subsidiaries of our own and their operating sites. In addition, we are in supplier relationships with distribution partners in many other countries. Currently, Europe is still the focus of our business,

#### **Active in both new building and renovation work**

Sto products are used both in the **construction of new buildings** and in the **renovation** of existing buildings. The comparative weighting of these two market segments in individual regions depends on the characteristics specific to each country. In Asia, for example, the construction of new buildings is of much greater importance than renovation work, due to the prevailing pent-up demand. In the mature economies of the western world, the onus is rather on renovation business. According to the EUROCONSTRUCT research association, in 2013, on average this segment accounted for 55.8 % of the total business volume in the construction industry, with the construction of new buildings making up the remaining 44.2 %.

Generally speaking, the construction of new buildings is very sensitive to economic cycles. As it depends on general economic conditions it shows considerable fluctuations in sales. In contrast, demand in the renovation and refurbishment area has been less volatile in recent decades, regardless of economic cycles. Renovation business generates the majority of Group turnover within the Sto Group.

#### **An efficient corporate structure**

The Group's parent company, once the decision by Sto Aktiengesellschaft's Annual General Meeting on 12 June 2013 to convert Sto Aktiengesellschaft into Sto SE & Co. KGaA upon

registration in the trade register of the district court of Freiburg on 26 March 2014 had been enacted, is Sto SE & Co. KGaA based in Stühlingen, which has holding company functions while at the same time being responsible for the domestic operating business with facade systems and coatings as well as products for interiors. Other domestic business entities are Innolation GmbH, located in Lauingen/Germany, which produces insulants and carries out research in the area of insulation technologies. StoVerotec GmbH, based in Lauingen/Germany, manufactures carrier boards for acoustic systems, facade systems and architectural elements for other Group companies. As part of its started diversification strategy, the company intends to sell more of its products and services to external industry customers as well in the future. StoCretec GmbH, located in Kriftel, is responsible for the areas of floor coatings and concrete restoration within the Sto Group. Natural stone work expertise resides with Hemm Stone GmbH, located in Kirchheim/Germany, and the Johann Neumeyer Brigl GmbH & Co. KG natural stone works in Eichstätt/Germany. The company Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany, is the Group's specialist for lacquers and varnishes. It particularly focuses on working with retailers, but also makes a significant contribution through its extensive lacquer expertise to the pool of knowledge that the Sto Group has as a whole.

Foreign business is largely handled by national companies operating independently, with the product spectrum offered in each case being tailored to suit local conditions and specific requirements. The products are either produced locally by the companies themselves or purchased via the Group. A list of all subsidiaries of Sto SE & Co. KGaA is reproduced in the Notes for the Group.

In organisational terms, the Sto Group's product range is divided into the four business

areas facades, interiors, concrete restoration and floor coatings. A product management team looks after and is accountable for each of these units. The manager in charge of each of these business fields is responsible for the strategic positioning of his area and products and coordinates marketing and sales objectives with the subsidiaries. In this way we are able to become even better acquainted with the vast range of different requirements that the various international markets have and tap into additional sales potential by improving our market approach and by our specialist technical expertise.

The four business areas are complemented by central units such as technical service or strategic marketing. These provide global support to all our subsidiaries or product groups and assistance in dealing with overarching issues. This will create the right conditions for efficient management on a global scale, and for targeted development of the service portfolio.

#### **Change in legal form of Sto AG into Sto SE & Co. KGaA**

On 12 June 2013, the Annual General Meeting of Sto Aktiengesellschaft decided to convert Sto Aktiengesellschaft into the legal form of an SE & Co. Kommanditgesellschaft auf Aktien. As part of this conversion, STO Management SE Stühlingen declared its accession to this company as the personally liable partner and approved the Sto SE & Co. KGaA's articles of association.

Legal proceedings were instituted before the district court of Mannheim against the Annual General Meeting's resolution on 12 June 2013 to convert, with approval for the proceedings being granted at first instance on 19 December 2013. With the consent of the Supervisory Board, the Executive Board of Sto Aktiengesellschaft appealed against this ruling to the Higher Regional Court of Karlsruhe on 4 February 2014. With the withdrawal of the action

by the plaintiff and respondent the conversion has now been completed on 26 March 2014 by virtue of registration in the trade register of the district court of Freiburg under HRB number 711236.

#### **Business management and control system**

Sto SE & Co. KGaA's business affairs are managed by the four-strong Executive Board of the personally liable partner STO Management SE. It develops the Group strategy and ensures its implementation. An important instrument in doing this is our efficient **control system**. The parent company, Sto SE & Co. KGaA, its subsidiaries and the other corporate units are controlled and managed by reference to strategic and operational targets and key financial figures. These are based on business figures which are uniformly determined throughout the Group and which, in turn, are part of a **standardised reporting system**. The primary key operating ratios employed by Sto are net sales, earnings before interest and taxes (EBIT), earnings before tax (EBT), cash flow from current operations and return on sales. The key figures determined for control purposes are also employed in the planning and controlling process.

The reports compiled within this standardised reporting system are submitted directly to the Executive Board, which then forwards the relevant information to Sto's Supervisory Board. In addition to reporting, management consultations are conducted between the Executive Board and the executive staff of the subsidiaries or sales regions on a regular basis. The control system used by Sto strengthens the decentralised entrepreneurial responsibility of our employees at a local level while also guaranteeing transparency within the Group.

In addition to internal parameters, we also monitor **external early indicators** as a means of further improving our planning processes as well as our corporate and risk management.

At Sto, such indicators primarily consist of economic data and detailed information on the sector, such as the trends in the volume of building construction, or the segments for new buildings and renovation.

### Fundamentals of the remuneration system

The remuneration for the Executive Board of the personally liable partner STO Management SE (or the Executive Board of Sto AG in fiscal 2013) consists of a fixed component and a variable element, which carries significantly more weight. The level of the variable salary component is linked to the earnings situation of the Sto Group, whereby a cap has been agreed in this context. No stock options are granted.

At the end of March 2014 the Executive Board members' employment contracts were transferred to STO Management SE, Stühlingen. The Executive Board members' remuneration structure remains as described above but is for the account of STO Management SE, Stühlingen, whereby the latter is reimbursed for expenses to an equal amount by Sto SE & Co. KGaA pursuant to article 6 (3) of the articles of association of Sto SE & Co. KGaA.

The members of the Supervisory Board are provided with fixed remuneration beyond compensation for costs incurred. The applicable rule is that the Chairman is entitled to 4 times and the Deputy Chairman 2.5 times the amount of the basic remuneration. The Chairman of a Supervisory Board Committee is additionally remunerated with a fixed annual amount. If a committee has only been formed for part of a fiscal year, the remuneration shall be proportionate.

### Objectives and strategies

Sto's business model is geared to long-term success and has the goal of making us a global technology leader in the sustainable design of living space tailored to human needs. This corporate vision (along with the other principles on

which our practice is based) is anchored in the Sto Guiding Principles, providing employees and managers with guidance when making strategic and operational decisions. We are convinced that long-term success is only possible through sustainable, solid economic activity. Constant progress and a financially sound footing is the basis on which we wish to permanently fulfil our responsibility towards Sto customers and employees, society and the environment, and all other stakeholders and shareholders. Our guiding principles shape our strategy, which contains the following core components:

- We will continue to pursue our **internationalisation** strategy by tapping into selected regions.
- We will tap into additional sales potential by expanding **alternative distribution channels** (involving wholesalers and retailers, for example) and by developing new target groups such as industrial customers.
- Sto's **Group expertise** will be systematically reinforced by organic development of appropriate acquisitions.
- We put extensive measures in place for firmly establishing its position as an **attractive employer**. Not only are we adding new specialists and managers to our team, but we are helping our employees enhance their levels of qualification, performance and satisfaction.
- We intend to intensify our activities in the area of **research and development**. This includes taking more of an active role in trade associations and interest groups, so that we can contribute to the process of shaping general conditions within the industry and with respect to the technology it uses.
- Also in the area of **Corporate Social Responsibility**, we aim to carve out an even more distinct position for our company by progressively developing our sustainability strategy.
- The company will continue to adhere strictly to its policy of **earnings-oriented** growth.

## B. Financial report

### Overview of business performance in 2013 and general statement on financial development

Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) increased its consolidated turnover in 2013 by 2.1 % to EUR 1,166.0 million, a result that was in line with expectations despite the very poor performance demonstrated in the first few months of the year due to weather conditions. This was made up for by the robust demand we experienced over the summer months, as well as favourable weather conditions towards the end of the year. Another significant factor was the growth to EUR 631.3 million seen in the various arms of our foreign business: together, these added up to a 2.3 % rise. Domestic turnover also increased by 1.9 % to EUR 534.7 million. Given the sometimes difficult nature of the general conditions underpinning it, the Executive Board of STO Management SE believes that business performance in 2013 was satisfactory.

The cost situation unfolded more favourably than originally forecast. Material expenses in particular amounted to less than had been planned. The consolidated earnings before interest and taxes (EBIT) of the business saw a 4.8 % improvement to EUR 99.9 million, and fell in line with the forecast figures we had revised up in November. Despite starting from a position of declining earnings at the outset of 2013, the consolidated net income result ended up at EUR 68.5 million as compared to EUR 65.4 million in the previous year.

The financial and asset situation also turned in another very robust performance in 2013. The Group's equity ratio rose from 65.6 % to 69.1 %. Cash stocks amounted to EUR 103.9 million at year end. Taking borrowings into account, net financial assets grew from EUR 78.2 million to EUR 94.8 million. Cash flow from operating activity was EUR 80.9 million.



On the basis of the solid earnings, financial and asset situation of Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) and the Sto Group, the personally liable partner and, it is anticipated, the Supervisory Board will propose an unaltered dividend distribution at the Annual General Meeting on 17 June 2014. This means that limited liability shareholders are expected to receive an ordinary dividend of EUR 0.31 per limited liability preference share or EUR 0.25 per limited liability ordinary share as well as a bonus dividend of EUR 4.56 per limited liability preference share and limited liability ordinary share.

The 2014 fiscal year has begun on a positive note thanks to the mild winter. The high growth rates expected from these initial few months may, however, turn out to be less pronounced in the end because the same period in the previous year experienced an extremely weak performance on account of the weather conditions at that time. For 2014 as a whole, we expect to see growth in consolidated turnover of approximately 5 %, up to around EUR 1,225 million, despite the fact that the general conditions in many countries may continue to present a challenge. As things stand, we anticipate consolidated earnings before interest and taxes (EBIT) to amount to between EUR 90 and 100 million.

On the whole, the Executive Board of STO Management SE continued to view the business prospects of the Sto Group as positive at the time of compiling the Group management report. We consider the more subdued development over the previous two years and the current year to represent a period of consolidation. However, the fact that we have still been able to achieve strong turnover figures and earnings – and continue to do so – underline Sto's excellent position on the international stage,

which has enabled us to compensate for areas of weakness in some countries with strengths in other regions. Not only that, but our company's highly stable financial situation is also allowing us to keep pursuing our set course of earnings-oriented growth in spite of the typical fluctuations seen in our industrial sector.

## Overall economic and industrial sector-related general conditions in 2013

### Global economic development

Calculations by the International Monetary Fund (IMF) indicate that the global economy once again experienced only moderate growth in 2013; specifically, a rise of 3.0 %. Its vital signs, however, did take on a renewed sense of vigour in the second half of the year, diminishing the effects of the very restrained growth during the first few months – a positive indication. In contrast to previous years, it was principally industrial nations that contributed to this upturn: their total economic performance was boosted by 1.3 %, somewhat higher than had initially been expected. Developing and emerging nations, on the other hand, lost some of their momentum: their total growth of 4.7 % fell below the previous year's value of 4.9 %.

With a growth of -0.4 %, the euro zone once again recorded a decline. The signs of economic recovery experienced in some countries meant that this was, however, lower than the previous year's figure of -0.7 %. Support in this area again came from the German economy – which, according to figures from the German Federal Statistical Office, put in another solid performance in 2013 with a slight increase of 0.4 %, despite negative net exports and imports because of continued weakness in demand from some European regions.

### International trends for the construction sector

2013 was another challenging year for the **European construction industry**, with the volume of building structures falling by a total of 2.7 % according to figures from the research group EUROCONSTRUCT. Also, all regions – with the exception of the German-speaking one and a few Northern European countries – had to deal with yet more losses, which in some cases were significant. The primary factor behind this was the weak demand experienced in the new building segment, which was down 4.5 %. Renovation, however, also saw a drop: 1.2 % below the previous year's level.

By contrast, the **German building industry** proved very robust, with total turnover in the industrial sector increasing by 3.0 % to EUR 96.6 billion, according to Federal Statistical Office figures. Order receipts rose by a price-adjusted figure of 1.9 %, with 2.2 % more orders being placed in the building structure segment. Information from the Hauptverband der Deutschen Bauindustrie, a leading German trade association for the construction industry, indicated that the increase in turnover was thanks to contributions from all segments:

Facade insulation is a sensible choice in more than just new construction projects. In this case, a house that was insulated some years ago is being fitted with new insulation boards as a means of doubling up the insulation effect.



public construction saw a distinct increase of 4.6 %, and residential construction also reported welcome growth of 4.0 %. At 1.1 %, by comparison, the rise in commercial construction was rather more subdued.

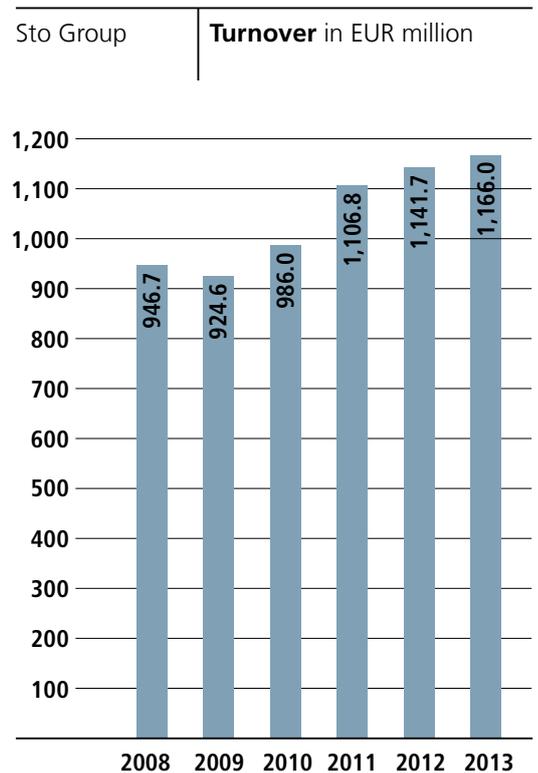
In the USA, the **construction industry** revival continued at a somewhat weakened pace in 2013, as reported by Germany Trade and Invest (GTAI), the foreign trade and inward investment agency of the Federal Republic of Germany. According to this information, the number of construction projects started may have increased by around 5 % in total, after approximately 10 % in the previous year. This somewhat slower rate of expansion was primarily attributable to the restrictive measures implemented by US fiscal policy, as well as the uncertainty arising at times from the looming threat of hitting the debt ceiling. These factors led to a dwindling in public-sector projects. By contrast, however, volumes in both the residential and commercial construction segments rose by approximately 25 % and 15 % respectively.

The **Chinese construction sector** continued to develop vigorously in spite of all the government measures implemented as a means of dampening the pace of growth. According to GTAI figures, property investments rose by 19.7 % in the first nine months of 2013. Meanwhile, growth was recorded in investments in both residential construction (+19.5 %) and commercial construction (+27.9 %). However, this brisk pace seemed to have slowed to a halt in the fourth quarter of the year.

## Business performance and development of turnover

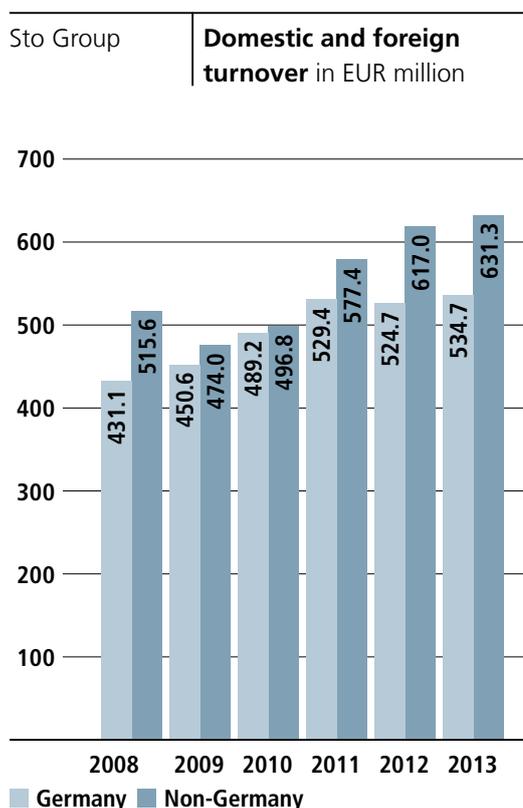
Sto's **consolidated turnover** in 2013 rose by 2.1 % to EUR 1,166.0 million. This figure remains in line with our forecasts even though the first few months of the year saw a very

poor performance on account of the weather. Robust demand over the summer months, as well as favourable weather conditions at the year end, helped to balance this out. Another contributor to the rise was the net positive development of the business outside Germany, with **foreign turnover** growing by 2.3 % to EUR 631.3 million. This equated to a 54.1 % share of Group turnover (as compared to 54.0 % in the previous year).



Principally, as a result of acquisitions, **domestic turnover** increased by 1.9 % to EUR 534.7 million. Operational business development was more modest, however, and in fact remained below our expectations. This result is mainly attributable to the more difficult business conditions surrounding external wall insulation systems throughout the industrial sector. The sluggish start to the 2013 fiscal year as a consequence of the weather was what produced the

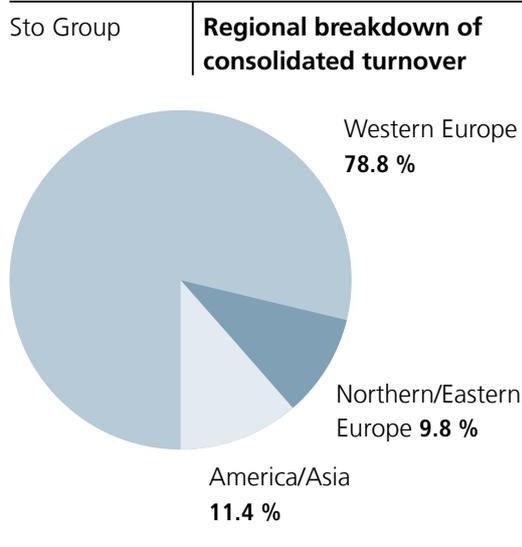
most strain on results, although another source of difficulty was felt in the cautious attitude of building owners and investors, something which was rooted in the ongoing lack of clarity about the advantages that energy efficiency measures are likely to produce. Added to this was the heightened debate – taking place in both the general public and sections of the media – about the environmental implications of facade systems, issues surrounding fire protection, and building culture, all factors that have fuelled uncertainty on the market. Sto's facade business remained static in the light of this, although it still turned in a performance that exceeded the average for the industrial sector. Another positive aspect to report was the reassuring development in sales of interior and concrete repair products as well as floor coatings, something which compensated for the void left in facade volumes.



**First-time consolidation and deconsolidation** resulted in a net increase in turnover of EUR 7.2 million. This was mainly thanks to the inclusion for the first time of the company acquired at the beginning of February 2013, Naturstein-industrie Johann Neumeyer & Brigl GmbH & Co. KG based in Eichstätt, Germany. The impact felt from the deconsolidation of Inotec GmbH, which had still been fully consolidated as recently as January 2012, was only slight by comparison. Changes in **exchange rates** resulted in negative currency translation effects amounting to EUR -7.9 million, a factor that was mainly driven by the most recent appreciable revaluation of the euro against foreign currencies such as the US dollar, the British pound, and the Swiss franc. This virtually cancelled out the opposing turnover effects resulting from first-time consolidation, deconsolidation, and exchange rates in 2013. Adjusted turnover growth was 2.2 %.

The **Western Europe segment**, which includes the core market of Germany, contributed a 2.2 % increase in turnover – reaching EUR 919.0 million – to the Group turnover during the reporting period. Upward trends in France, Belgium, and Switzerland were the key propellers of this growth. Business volume in Germany, meanwhile, was boosted primarily as a result of acquisitions. These increases more than made up for the declines experienced on markets including Austria, the Netherlands, and the United Kingdom.

The performances of countries in **Northern/Eastern Europe** continued to differ substantially from one another in 2013. The Northern European subsidiaries benefited from general economic conditions that were positive and, with the exception of Denmark, increased their turnover. By contrast, the volume contributed by Eastern Europe dropped significantly due to economic and financing conditions that continued to pose a real challenge in the majority of cases. On the whole, segment turnover fell by 2.4 % to EUR 114.5 million.



In Asia, we experienced a slight net decline in business volume in 2013. Despite welcome increases in Singapore and Malaysia, it was not possible to compensate entirely for the losses felt in our biggest market, China, where we have entered a period of consolidation after years of robust growth. On the other hand, business in the Americas performed extremely well. Increases in turnover were recorded in both our core region of the USA – where Sto Corp.'s excellent positioning has enabled it to benefit from the favourable conditions in the construction sector – as well as Chile and Colombia, where we have ramped up our market penetration activities. In total, the business volume in the **America/Asia segment** rose by 5.9 % to EUR 132.5 million.

#### Earnings situation

Costs incurred over the course of the year turned out to be more favourable than originally forecast. This was especially the case where **material expenses** were concerned: here, declining prices brought particular relief for some specialty chemicals such as titanium dioxide. The reason behind this was the weaker demand from emerging and developing coun-

tries, which had performed energetically up to that point. As a result, it was also possible to compensate for the effects of further price rises, primarily in petroleum-based products. At EUR 530.4 million, total material costs remained virtually static (compared to EUR 528.4 million in the previous year). The cost of sales percentage dropped from 46.2 % in the previous year to 45.5 %.

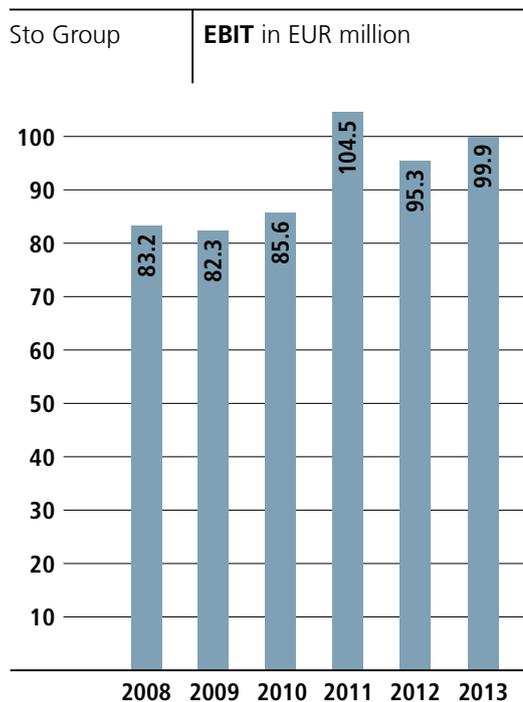
As expected, **staff costs** experienced noticeable growth of 3.6 % to EUR 297.0 million. In Germany, increases due to collective labour agreements as well as new appointments in specific areas made their presence particularly felt. Abroad, employee appointments and departures approximately balanced each other out. The integration of Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG, acquired in February 2013, added 59 new employees at the point of takeover.

The balance of the items **other operating income** and **other operating expenses** barely changed, in fact remaining almost the same at EUR -208.8 million as compared to EUR -206.2 million. At the same time, sharp increases in costs within areas including trade fair activities, freight, and maintenance were partly offset by lower additions to provisions in the area of staffing and by a one-off, EUR 1.5 million insurance refund resulting from a legal dispute. The latter also enabled a provision for the repayment claim from a product liability insurance policy to be released to income.

In total, consolidated earnings before interest, taxes, and depreciation/amortisation (**EBITDA**) improved by 6.4 % to EUR 128.9 million. **Depreciation and amortisation** of intangible assets as well as property, plant, and equipment also surged by 12.1 % in 2013, bringing it to EUR 29.0 million. Factors affecting this were not only the high investments that took place during the reporting period, but also some large-scale projects in 2012 that did not become depreciable until the 2012 year

end and, therefore, only became so on a small scale. Additionally, impairment testing resulted in depreciation and amortisation of goodwill as well as of intangible assets amounting to EUR 2.3 million in total.

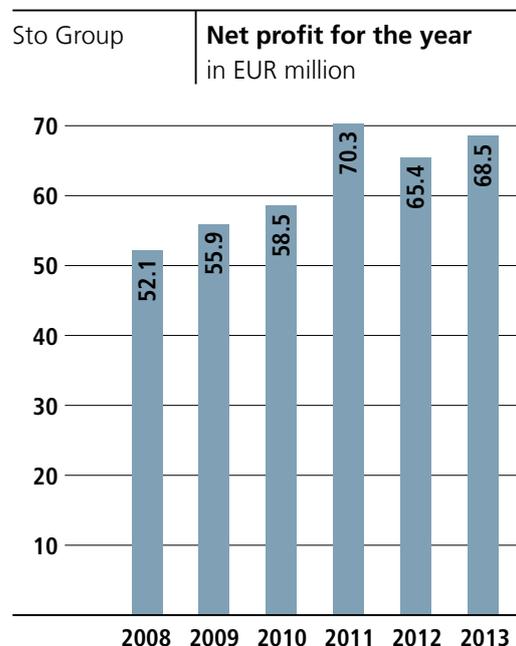
At the final count, the Group's consolidated earnings before interest and taxes (**EBIT**) in 2013 had risen by 4.8 % to EUR 99.9 million, contrary to what had initially been expected. This was thanks to the contributions of EUR 88.2 million from the Western Europe segment (previous year: EUR 82.4 million), EUR 0.6 million from the Northern/Eastern Europe segment (previous year: EUR 2.6 million), and EUR 11.5 million from America/Asia (previous year: EUR 10.5 million).



At EUR -0.8 million following EUR -0.7 million in the previous year, **income from financial investments and investment property** remained virtually unchanged from the effect of two trends working in opposite directions. On the one hand, interest expense in 2013 fell

as a result of repayments on borrowings, from EUR 3.5 million to EUR 3.0 million. Financial assets valued at equity also saw a considerable improvement, from EUR -1.2 million to an almost break-even result. On the other hand, interest income dropped noticeably from EUR 3.2 million to EUR 2.2 million: this was primarily the consequence of very low market rates affecting our liquid financial resource investments.

The Group's earnings before taxes (**EBT**) amounted to EUR 99.1 million (compared to EUR 94.6 million in the previous year), a figure that was an improvement on the forecast made at the outset of 2013. In turn, this boosted our return on sales from 8.3 % to 8.5 %. Given the virtually static tax rate of 30.9 % (compared to 30.8 % in the previous year), consolidated net income produced a 4.6 % rise on the previous year, amounting to EUR 68.5 million.



Earnings per preference share stood at EUR 10.75 (previous year: EUR 10.17) and earnings per ordinary share at EUR 10.69 (previous year: EUR 10.11). There was no difference between basic and diluted earnings per share.

### Sto SE & Co. KGaA – Dividend

The parent company Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) reported **earnings from ordinary activities**, determined in accordance with the German Commercial Code (HGB), of EUR 88.8 million for 2013 as compared to EUR 78.2 million in the previous year. The **net profit for the year** of Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) totalled EUR 71.7 million (previous year: EUR 62.9 million). Also the financial and asset situation could be considered as downright robust. The equity ratio amounted to 76.4 % (previous year: 72.7 %).

On the basis of the solid earnings, financial and asset situation of the Sto Group and KGaA, the personally liable partner and, it is anticipated, the Supervisory Board will propose an unaltered dividend distribution at the Annual General Meeting on 17 June 2014. This means that limited liability shareholders are expected to receive an ordinary dividend of EUR 0.31 per limited liability preference share or EUR 0.25 per limited liability ordinary share as well as a bonus dividend of EUR 4.56 per limited liability preference share and limited liability ordinary share.

### Financial situation

The most important objectives of Sto's **financial management** are to ensure the Group's liquidity worldwide, optimise financial expenses and income, and control and minimise currency and interest risks. We employ a wide range of financing instruments for this purpose. This diversification provides us with greater scope for action and makes us less dependent on individual markets. We work with banks which enjoy the highest credit ratings and rely on long-term relationships characterised by mutual trust.

In the area of financial management we also strive for a healthy balance between shareholders' equity and borrowed funds. This provides us with the long-term financial scope which we need in order to continue our sustainable and income-oriented growth strategy.

Current financial requirements – which can fluctuate significantly with the seasons over the course of the year – are covered primarily using a combination of operating cash flow and available liquidity. If necessary, this also involves the use of credit facilities from a **syndicated loan agreement**, although this option is not currently required thanks to the Sto Group's excellent self-financing abilities. In addition to traditional bank financing we also employed leasing. The present value of disbursements due from finance leases in the future stood at EUR 2.5 million (previous year: EUR 2.4 million) on 31 December 2013.

To minimise the effect of exchange rate fluctuations on consolidated earnings, foreign currency items are netted within the Group. For any amounts remaining after the netting, we will enter into **currency hedging transactions**, if required.

For our liquidity management activities, we have implemented a **cash-pooling system** that covers a select number of our subsidiaries operating in the euro zone. Within the scope of this system, cash surpluses and cash requirements are automatically netted within the Sto Group. This allows us to minimise the number of external banking transactions, and surpluses can be invested on the best available terms. This not only ensures liquidity but also contributes to the optimisation of net interest income.

With regard to the continuing internationalisation of the Sto Group and to account for the growing demands on risk management, we have expanded our **treasury activities** by establishing a separate department already in 2012. Amongst the duties of the treasury department are the recognition and control of financial resources for internal and external financing as well as financial risk management.

### Liquidity movements in 2013

In 2013, **cash flow from operating activities** stood at EUR 80.9 million compared to

EUR 71.8 million in the previous year. This rise was mainly the result of the improved consolidated earnings before interest and taxes, plus lower income tax payments. In relation to consolidated turnover, the cash flow margin rose from 6.3 % to 6.9 %.

The **cash flow from investment activities** adjusted for deposits and disbursements for financial investments amounted to EUR -30.4 million (previous year: EUR -34.1 million). The principal reasons behind the lower cash outflow were the declining disbursements for investments in property, plant, and equipment as well as intangible assets, which reached EUR 30.5 million (as compared to EUR 36.6 million in the previous year).

Sto Group	Cash flow statement in EUR K	
	2013	2012
<b>Cash flow</b>		
from operating activities	80,913	71,811
from investment activities	-26,849	-33,983
from financing activities	-43,566	-46,323
Change in cash and cash equivalents from changes in exchange rates	-1,331	661
<b>Cash and cash equivalents at beginning of period</b>	<b>94,777</b>	<b>102,611</b>
Change in cash and cash equivalents	9,167	-7,834
<b>Cash and cash equivalents at the end of period</b>	<b>103,944</b>	<b>94,777</b>

As we continued to demonstrate strong liquidity movements, over the reporting period we were able to place EUR 132.8 million in safe financial investments at comparably attractive terms. We also accrued EUR 136.3 million from transactions which matured. These payments and the expenditure for investments in property, plant and equipment and intangible assets result in a **cash flow from investment activities** of EUR -26.8 million (previous year: EUR -34.0 million).

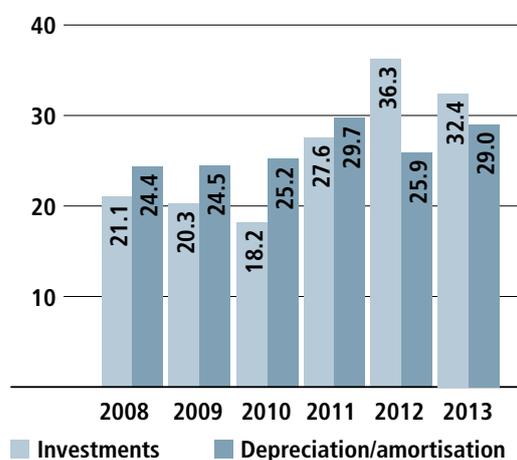
In total, **financing activities** in 2013 led to an outflow of funds from the Sto Group to the tune of EUR 43.6 million (previous year: EUR 46.3 million). At EUR 31.1 million, dividend distribution to our shareholders accounted for the majority of this. Another factor was the repayment of additional current and non-current borrowings, amounting to EUR 10.7 million.

Deposits outbalanced disbursements by a total of EUR 10.8 million in the 2013 fiscal year. Taking into account changes relating to exchange rates in the amount of EUR -1.3 million, this resulted in **cash and cash equivalents** of EUR 103.9 million (previous year: EUR 94.8 million) at the end of December. This sum once again clearly exceeded the borrowings of EUR 9.1 million on the balance sheet date (previous year: EUR 16.6 million).

#### Investments continue at a high level

In 2013, Sto invested EUR 32.4 million throughout the Group (previous year: EUR 36.7 million), thus continuing on the high-level investment trend it has been pursuing for many years. Deviations from the planned budget (originally

Sto Group | **Investments and depreciation/amortisation (without financial assets)** in EUR million



EUR 45 million) were mostly caused by projects being either postponed or cancelled. The entire amount was spent on property, plant, and equipment as well as intangible assets. 2012 involved EUR 0.4 million of financial asset investments, which referred to capital measures of a joint venture.

Major projects during the reporting period included the extension of the Logistics Centre and the construction of a state-of-the-art silo purification plant in Stühlingen – both of which came to a successful conclusion over the course of the year. The new headquarters of our Belgian subsidiary was also completed in September. Furthermore, in the US we started expanding our Arizona location, kicking off a programme of modernising and sharpening the focus of our manufacturing structure there. Another main focus of our activities was the acquisition of a property in France, with the aim of expanding our manufacturing facilities. Substantial funds were also invested in renovating and expanding the IT infrastructure, and in the area of handling and hoisting equipment.

Of the total investments during the reporting period, EUR 27.4 million (compared to EUR 29.9 million in the previous year) went into the Western Europe region, EUR 1.8 million (previous year: EUR 3.0 million) into Northern/Eastern Europe, and EUR 3.2 million (previous year: EUR 3.4 million) into America/Asia.

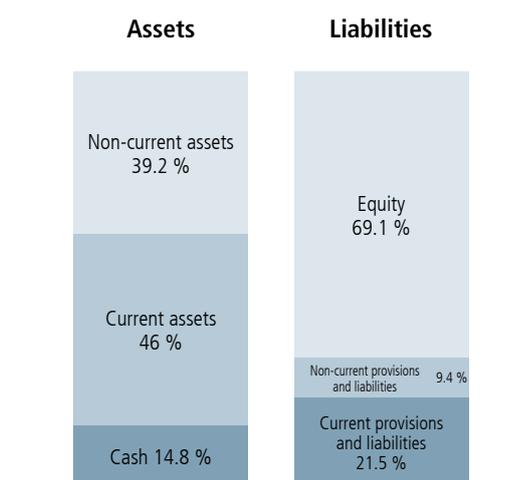
### Asset situation

**Consolidated total assets** as at 31 December 2013 increased by 2.7 % compared to the same day of the previous year and totalled EUR 702.5 million. On the assets side, this was primarily a consequence of an increase in cash – from EUR 94.8 million to EUR 103.9 million (+9.7 %) – as well as current financial assets, from EUR 120.4 million to EUR 129.0 million (+7.2 %). By comparison, other current items barely saw any change. As a result, the rise in current trade receivables by 0.8 % to

EUR 116.0 million was virtually offset by the 1.1 % fall in inventory to EUR 65.5 million. In total, **current assets** showed an increase from EUR 408.8 million to EUR 425.1 million (+4.0 %).

**Non-current assets** also demonstrated a moderate overall rise of 0.7 % to EUR 275.3 million. The main contributors to this growth were property, plant, and equipment, up 3.8 % from EUR 218.7 million. This was a consequence of investments made in 2013. However, this was the opposite direction of movement to the intangible assets, which, at EUR 41.9 million, were down 5.6 % due to depreciation and amortisation. Non-current financial assets also dropped significantly, from EUR 4.5 million to EUR 1.7 million. This item included, amongst others, funds which we had placed at comparatively favourable terms with a time to maturity of more than one year.

### Sto Group Balance sheet structure as at 31 December 2013



On the **liabilities side**, equity increased from EUR 448.8 million to EUR 485.2 million thanks to another satisfactory earnings trend. This meant that the year-on-year equity ratio improved once again, from 65.6 % to a very healthy 69.1 %.

By contrast, the total **non-current provisions and liabilities** fell from EUR 69.8 million to EUR 66.0 million (-5.5 %). This was primarily the result of the 4.3 % lower post-employment benefit provisions, which stood at EUR 54.7 million (as compared to EUR 57.1 million in the previous year). This decline, in turn, was down to the discount rate increase from 3.3 % to 3.55 %, put in place on 31 December 2013, as well as changes in demographic assumptions for Germany, requiring a higher retirement age of 65 instead of 63 to be applied. Both factors led to fewer post-employment benefit provisions being disclosed, with the impact of this resulting in scheduled additions being exceeded.

At EUR 2.4 million (compared to EUR 1.9 million in the previous year), non-current borrowings remained at a low level.

A significant decline of 8.7 % to EUR 151.3 million was also recorded in **current provisions and liabilities**. A factor that was particularly at play in this case was the repayment of current borrowings, amounting to EUR 8.0 million and leaving just EUR 6.7 million remaining at year end. Trade payables also fell significantly – 9.3 % to EUR 42.1 million.

At the end of December 2013, total borrowings amounted to EUR 9.1 million after EUR 16.6 million on the same day of the previous year. Taking into account cash and cash equivalents of EUR 103.9 million, **net financial assets** were EUR 94.8 million (previous year: EUR 78.2 million).

### Performance of product groups

The report now turns to the breakdown of results according to product groups. At EUR 565.7 million, the facade system business in 2013 was slightly down on the previous year's level of EUR 566.6 million. Thus, this segment accounted for 48.5 % of the Group turnover as compared to 49.6 % in the previous year. By contrast, the turnover attributable

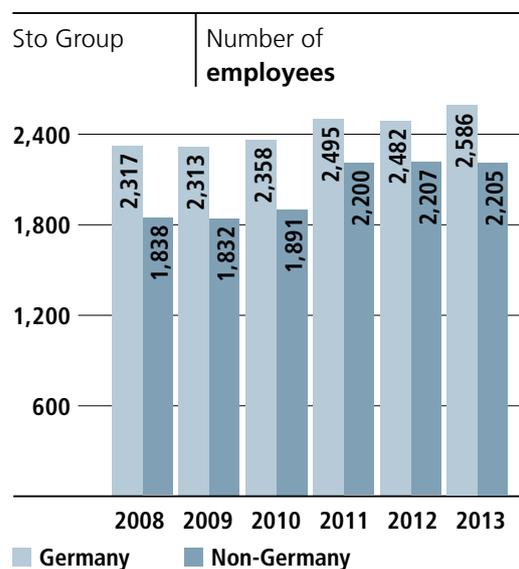
to facade coatings rose by 3.2 % to EUR 288.9 million, increasing its share in Group turnover from 24.5 % to 24.8 %. In the interiors segment, we recorded an increase of 1.7 % to EUR 153.2 million (share: 13.1 %). Meanwhile, the turnover for which the other business fields were responsible rose from EUR 144.5 million to EUR 158.2 million, the result of not only organic growth, but also the acquisition of Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG. These other business fields also accounted for a 13.6 % share of Group turnover.

## C. Other performance indicators

### Sto – Employees

#### Size of workforce increased

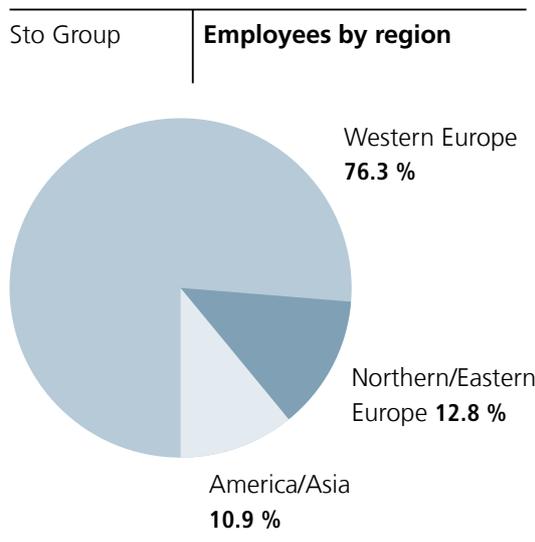
At the end of December 2013, Sto's employee headcount was 4,791 as compared to 4,689 on the same day of the previous year. This 2.2 % rise was thanks to staff numbers in Germany increasing by 104 to 2,586 (+4.2 %). These



included 63 employees of Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG, which had been incorporated for the first time.

The number of employees working for Sto Group companies outside of Germany remained more or less stable according to year-on-year figures: 2,205 compared to 2,207 at the 2012 year end. In this case, new appointments (in Asia and America in particular) balanced out restructuring measures in specific areas, especially within Eastern Europe. The share of the Group's workforce employed abroad stood at 46.0 % (previous year: 47.1 %) on 31 December.

The breakdown of employees according to the individual regions is illustrated in the diagram below.



**The Sto Group and its employees – Working together to achieve success**

Demonstrating outstanding skills, dedication and an ability to identify with the company and its products, it is our employees who are the central characters in Sto's ongoing success story. The entire workforce functions as a single, exemplary team, fostering the creation of knowledge networks and developing problem-solving skills throughout the company. In taking this

approach, employees aren't simply paying lip service to the Sto culture: they are focused on showing their commitment to it through their actions in every division and at every level – thus making a truly valuable contribution to our corporate success. Our employees are proud of the company they work for, its products, and what they do, something that was once again reinforced in the most recent employee survey, conducted at the end of 2012. This makes us exceptionally well equipped to steer the Sto Group through any challenges that the future might bring, and continue on a course of success.

**2013 HR strategy realignment**

For our HR department, at the top of the agenda is ensuring that it is doing its part to help achieve the corporate goals of earnings-oriented growth and internationalisation. This requires not only HR management tools and processes that are effective and add real value, but also an HR (human resources) strategy that is focused on the needs of the business. In fact, organisational measures that are continually developed with this in mind are becoming key players in achieving these overarching corporate goals. To meet the demanding requirements associated with this, 2013 saw the start of a number of central projects that have the aim of realigning Sto's approach to HR management and sharpening its international profile:

- **Manager and employee development** is being optimised with the ultimate goal of safeguarding Sto's future by ensuring that workplaces at all levels of the company are staffed by highly skilled employees. This involves providing support to junior staff members, as well as recognising potential early on and developing it. The intention is also to set out career paths and make these transparent to employees.
- **Competitive conditions of employment** and remuneration systems are another corner-

stone of the corporate strategy. The aim is to work together with all Group companies to achieve harmonisation worldwide.

- Our desire is to entrench and continually cultivate those values that are particular to Sto – including with a view to long-term corporate goals. To achieve this, we are putting appropriate measures in place under the banner of a guideline we call “**Vision, culture, and change**”.
- Sto’s **attractiveness** as an **employer** is to be improved. The main areas of focus in this respect are, first and foremost, shaping an image as an employer that has a consistent impact internationally, and introducing a professional HR marketing strategy.
- At the heart of creativity and innovation are systematic **Group development** and the establishment of efficient **knowledge management** with the aim of using internal knowledge as effectively as possible.
- By accelerating the **development of specific target groups**, we hope to encourage talent and accompany them through various stages of their lives.

Given the significance of this realigned HR strategy, our hope is that we can forge links between all our subsidiaries and company divisions across the world during the process of putting it into practice. Through cross-company projects, we aim to first develop fundamental standards before adapting them in line with regional requirements and implementing them as appropriate.

#### HR measures in 2013 enhance employer attractiveness

One of our central goals is to preserve a healthy work environment so that we can enhance and maintain the well-being, performance, and, therefore, satisfaction of our employees. In 2013, we continued to develop the tools we have created for this purpose. In the future, our **corporate health management system**,

with the slogan “Bewusst leben und arbeiten” (“Live right – work right”), will be based on the twin pillars of Fit@Sto and “Beruf und Familie” (“Work life and family life”).

Over the past year, a whole package of measures such as seminars to help combat stress and kick-the-habit events for smokers were conducted as part of the Fit@Sto programme, which focuses specifically on the aspect of health. We also encourage our employees to get involved in physical activities.

When it came to work/life balance, in 2013 it was the re-certification process for the “Beruf und Familie” (“Work life and family life”) audit that was the cornerstone of our actions. It was successfully run by Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) and StoCretec GmbH. This audit documents our commitment to sustainably improving our general conditions in this important area of our employees’ lives. The measures that we have put in place include extensive consulting services, delivered in conjunction with an external service provider, and flexible working hours. In addition, the conclusion of a cooperation agreement with a

At the end of December 2013, the Sto Group’s employee headcount was 4,791.



nursery school in Stühlingen and the welfare association Caritasverband Hochrhein – the agency responsible for running this facility – has allowed us to take a giant leap in our efforts to provide better care for employees' children at our headquarters. Other activities in the pipeline involve putting resources in place for working from home and providing more support for new employees who have moved to the area.

Another key aim in our personnel policy is to keep the number of accidents as low as possible. In this area, we aim to achieve a rate of consistently fewer than ten reportable **accidents at work and on the way to work** per 1,000 employees. In 2013, the rate at Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) reached 13.4 after 14.0 in the previous year. We hope to achieve a steady improvement in this key figure through ongoing inspections and optimisations in the areas of occupational safety, day-to-day preventative measures, events designed to communicate information, and training sessions.

Furthermore, we want to achieve a low **fluctuation rate** – in the lower single-digit range – across the entire Group. In Germany, this is a goal we have already met with a value of 1.8 % in 2013 (previous year: 2.9 %). At Sto, we calculate the fluctuation rate by looking at 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.

### Support for employees

2013 also saw us continue our intensive training activities. These included our manager development programme, in which our up-and-coming managers hone their skills and obtain the right tools to deal with the challenges that leadership can bring. 2013 was the year in which the first training groups completed the two-year programme, whose concept had been revised and content adapted in line with

the “Principles of Cooperation and Management within the Sto Group”. At the same time as these groups were finishing up, more new courses got off the ground.

We also kicked off another cycle of our internal promotion programme, “KuBe Plus”, which prepares young people for taking on the role of a SalesCentre manager. This teaches our young talents how to take on responsibility early in their careers. By equipping junior members of staff from within our own company with the skills they need, we are also launching a counterattack on a shortfall in specialist and management staff, an issue that is set to intensify over the coming years for demographic reasons.

### High-level training

We consider on-the-job training to be a cornerstone of ensuring the future of our company. Every year, we offer committed young people the chance to learn one of now 25 future-oriented occupations at Sto, especially in Germany. Last year, we participated in several training fairs and career orientation conventions to inform young people about training and perspectives at our Group and recruit talented young professionals for our company.

In September 2013, we appointed 64 new trainees at our German locations (previous year: 69). At year end, we had a total of 191 trainees and students of cooperative state universities (previous year: 186). In relation to the total German workforce, a high training rate of 7.4 % was achieved. In comparison, the chemical industry had an average rate of 5.4 %.

### Sto trainees show their commitment

An integral part of our holistic approach to training is commitment to social issues and involvement in social and ecological projects. In 2013, for example, trainees at the Stühlingen location lent their support to a project which, working under the motto “Generations united”, aimed to revive the appearance of

a dining room in a care home situated in a neighbouring community. With information boards designed together with children from a local nursery school, this mission turned into a project that really did cross the generations.

In 2013, one of the ecological projects conducted in previous years by our trainees, in which they redeveloped an untended biotope on company premises at the Stühlingen headquarters, won the Responsible Care competition run by the Baden-Württemberg branch of the German Chemical Industry Association (VCI). The project's combination of sustainability, conservation, and social responsibility was given particular recognition.



Trainees and cooperative state university students at Sto commit themselves to a variety of different causes. In 2013, they ran a social project in conjunction with a nursery school in Obertal/Germany and the St. Laurentius care home in Bonndorf/Germany.

### Sto among the top 50 employers in Germany

At the start of 2014, Sto's consistent approach to its personnel policy and focus on individual employees as part of this were recognised outside the company itself. In a comprehensive survey<sup>1</sup> of the best job conditions on offer in Germany, Sto was ranked at a very healthy 45th out of 2,000 companies scrutinised. In the large chemical companies category, meanwhile, Sto achieved second place. This puts us among the top 50 employers in Germany.

<sup>1</sup> FOCUS in cooperation with XING business network; see FOCUS 6/2014, pages 84 ff.

The survey was based on questioning a representative sample of 19,700 employees drawn from all hierarchy levels and age groups, as well as 23,200 employer assessments – making it the largest survey of its kind in Germany. Those surveyed were asked about subjects including the workforce's level of satisfaction with the managerial style of their line managers, with their professional prospects, their salary, and the image of their employer. Their willingness to recommend their own employer was also determined.

## Sto – Research and development

### Innovation among the competition

Having developed numerous ground-breaking innovations, Sto is one of the technology leaders in the construction sector. We aim to consolidate this position on an ongoing basis through intensive research and development activities. Creating innovating solutions and products, and continually enhancing our skills, are key factors in achieving our strategic goal of developing the position we occupy in relation to the competition. This will allow us to not only secure our existing customer base, but also tap into new markets and exploit further potential for growth.

While the majority of our research and development work is conducted centrally at our Stühlingen location, now and again we also extend these activities to various peripheral locations with the aim of staying close to our various markets. For the most part, R&D activities at Sto can be broken down into two main areas. Within the context of **fundamental research**, we develop entirely new technologies at product and process level over the medium to long term. Among our current areas of focus are investigations into innovative concepts for

providing building structures with better protection against algae and fungi.

Fundamental research also includes our participation in cross-country and cross-sector pilot projects, which are publicly funded and provide us with operative benefits. One current example is the EU "Retrokitt" project, which conducts research into new, inexpensive solutions for energy efficiency measures in a range of European climates.

The second major task of our R&D activities covers the **further development of existing product lines**. The primary goal here is to improve customer benefits. One way in which we do this is to develop innovations that allow new features to be continually added to existing product ranges and systems. This area of activity also includes measures for modifying the functionality and application characteristics of individual Sto products in such a way that they effectively complement one another in the context of a system and enhance the benefits of the facade system as a whole.

2013 was another year that introduced some key innovations. These included a new organic base coat for facade systems, which significantly improves the crack resistance and impact resistance of the EWIS as well as ensur-

ing a much higher level of fire protection. The "**StoTherm Classic S1**" facade system that was upgraded using this new development was met with extremely positive feedback on the market and received no less than four accolades in the Plus X Award innovation competition. Not only did it come top in the categories of Innovation, High Quality, and Functionality, but it was also voted Best Product of the Year 2013.

Beyond this, another momentous project was the development of "**StoCalce Functio**", a generation of new interior lime products designed to ensure a perfect ambient interior climate. The system is based on a functional base coat or filler and can be combined with compatible finishing renders. Through this, Sto is setting new standards when it comes to moisture absorption and releasing capabilities – even as compared to clay renders previously considered to be at the top of the class.

The self-organising surface technology developed for facade paint in 2012 stood the test of 2013. The market responded extremely positively to the "iQolor – INTELLIGENT COLOR" line of paints, which is based on this technology and significantly improves facade resistance when applied. We continued to pursue this area of development during the reporting period by introducing "**StoColor Titanium**", a paint that is ideal for applying to wall and ceiling surface areas in applications that are subject to high levels of strain, such as staircases, gymnasiums or food-processing areas.

In the prefabricated house industry, a low-shrinkage, organic adhesive and reinforcing compound we developed also garnered significant interest: "**StoPrefa Level 500 SV**" offers the standout feature of exceptionally low shrinkage and makes it much easier to seal the element joints and floor transition areas that are unavoidable in modular house construction projects. The material is extremely easy to incorporate into mesh transition points too.

From left: Chief Executive Officer Jochen Stotmeister; Günter Rudolph, Product Manager for Functional Wall Systems; and Rainer Hüttenberger, Executive Board member responsible for marketing and sales, accepted the product innovation prize at the BAU trade fair in Munich.



The innovative “**StoTherm In Aevero**” internal insulation system continued to create a stir in 2013. This diffusion-open, capillary-active, highly effective thermal insulation system is based on the material aerogel and makes it possible to create much thinner layers compared to previous products. “StoTherm In Aevero” has received numerous accolades as a result, including awards at BAU – Germany’s leading building industry trade fair – in Munich/Germany, and the Klimahouse trade fair in Bolzano/Italy, back in 2012. Not only this, but it was also the recipient of a product innovation prize for existing buildings, awarded by Germany’s Bundesarbeitskreis Altbauerneuerung – a working committee that focuses on building renewal – as well as the Environmental Technology Award from the state of Baden-Württemberg.

## Sto – Production and procurement

### Leading process know-how

Sto mainly produces coating materials such as renders, plasters and paints. These are manufactured in specialised production facilities. The most important input materials are marble and quartz sands, cement, lime and silicates, silicones and aqueous dispersion agents. The success of Sto products is based on our process know-how in the fields of product development and manufacturing, which guarantees their high quality.

For strategic reasons, we began to produce part of our needs for insulation materials, such as EPS boards, ourselves in 2010. For this purpose, we started a high-capacity plant at the Lauingen location. With our own production, we reduce our dependence on suppliers and increase our depth of added value. In addition, we build up our technological know-how, since we aim to develop innovative insulants in particular. Our activities in the area of insulants are grouped under the banner of Innolation GmbH.

### Worldwide production network

Sto’s production network has been expanded step-by-step over the past few years. Additional plants are built where the market shows the corresponding demand potential or new regions are to be entered. And so the number of production facilities and their geographic distribution are the immediate result of our long-term growth and internationalisation strategy. In 2013, the acquisition of Naturstein-industrie Johann Neumeyer & Brigl GmbH & Co. KG allowed us to add another plant in the Bavarian town of Eichstätt. The company produces natural stone slab for wall coverings as well as floor tiles. As a result, at the end of the 2013 fiscal year Sto owned a total of 26 production facilities throughout the Group. Of these, 16 plants were located abroad and 10 in Germany.

The exceptionally low **rate of faulty batches** – that is, the proportion of the overall production quantity that cannot be delivered due to defects – is testament to the outstanding performance that Sto plants produce. In our European plants, this indicator runs at less than 0.1 % almost without exception. Our aim is to keep the rate of faulty batches below this value across the entire Group.

### Sustainable production

In keeping with our commitment to environmental protection and ecological concerns, we have implemented a comprehensive quality and environmental management system in our production strategy, allowing us to maintain records at all our locations as well as perform internal audits of all production sites. 20 of these 26 production sites are also certified externally in accordance with international standards such as ISO 9001, ISO 14001, and SHARP, thus documenting the stringent requirements that they meet. The plan is to achieve external certification for the remaining sites over the coming years as well, and to expand the scope

of existing audits in some cases, working with ISO 50001 und OHSAS 18001 as a basis. The systems that have been implemented ensure a methodical and verifiable approach to data acquisition and target formulation across the business. This contributes to the continuous improvement of our resource utilisation.



A look inside the Just-in-Time (JIT) production facility in Stühlingen.

**Investment measures in 2013**

The Sto Group is constantly investing in its production equipment, with the aim of both maintaining the same excellent levels of performance and continually improving efficiency and environmental friendliness. The investment volume in the production area was approximately EUR 13 million in 2013. Investments were mainly focused on optimising production processes in regions such as the USA. As well as this, a highly automated cleaning plant for construction site silos was built at the Stühlingen location.

The "Retrofit" project, aimed at successively upgrading older Sto production plants to state-of-the-art technology through a range of individual measures, also received yet more investment in 2013. Examples in this case

included the commencement of work on modernising control systems in the Donaueschingen and Warsaw plants.

**Procurement in 2013: Global decline in demand results in market easing**

The basic materials required in the production of facade coatings, such as sand, cement and lime, are available worldwide without any restrictions. At no point in 2013 was there a risk to the availability of any other important input products – such as specialty chemicals or petroleum-based raw materials – due to the decline in demand observed worldwide. The slow-down in the economies of emerging and developing countries in particular played an important role in this case.

These market trends were also reflected in lower prices, especially when it came to some specialty chemicals such as titanium dioxide. Some petroleum-based products, meanwhile, demonstrated an opposing movement as manufacturers rapidly adjusted their capacities in line with the reduction in demand. At Sto, these effects largely cancelled one another out and thus enabled us to maintain material costs at the previous year's level.



Sand and powder – the basis of many Sto products.

In the area of logistics, however, expenditure rose slightly. This trend chiefly resulted from the impact of higher prices for cargo transportation and large-scale silo logistics. Electricity purchasing also became more expensive, with rising gas prices and another increase in charges associated with the German Renewable Energy Sources Act to blame in this case.

### **Effective purchasing management**

Sto pursues proactive procurement management, which guarantees security of supply for all production plants even under difficult market conditions. It is based on a very close and long-time co-operation with our most important suppliers. To ensure we are always procuring high-quality input products, we perform a systematic supplier evaluation twice a year at our key European Sto companies. As part of this, the companies are assessed according to the criteria of price, quality, commercial cooperation, sustainability, and supply conditions. These are weighted in different ways and the results condensed into a single key figure. The maximum score is 100; with a result of 89.3, Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year) met and exceeded its 2013 target of 89.0.

Inventory management is another area in which we adopt a consistent approach. Each individual Sto company is allotted a target percentage for its stock value (average stock in relation to annual turnover) on the basis of its product range and prevailing market conditions. This can range from 2.5 % to 10 % depending on whether the company is purely commercial in nature or is a production company, and with the level of automation taken into account. The targets specified were largely achieved in the current financial year, with any excess values analysed and countermeasures introduced.

With the aim of achieving a sustainable improvement in work procedures and transparency, we are constantly working to expand the use of our software-based e-procurement sys-

tem, which is primarily used at the parent company Sto SE & Co. KGaA. Another important step forward has been the establishment of a Group-wide procurement guideline, whose goal is to reinforce our global purchasing network and combine our internal requirements more effectively so that we can tap into additional benefits in the purchases we make.

## **D. Events after the reporting period**

On 12 June 2013, the Annual General Meeting of Sto-Aktiengesellschaft agreed that Sto-Aktiengesellschaft is to be converted into Sto SE & Co. KGaA. A complaint against this decision at the Annual General Meeting on 12 June 2013 was filed with Mannheim regional court and was upheld in the first instance on 19 December 2013. However, the Executive Board of Sto-Aktiengesellschaft, with the consent of the Supervisory Board, lodged an appeal against this judgment on 4 February 2014 at the regional appeal court in Karlsruhe. With the complaint then withdrawn by the complainant and respondent, Sto SE & Co. KGaA was entered in the trade register of Freiburg district court under HRB 711236 on 26 March 2014, marking the completion of the conversion.

## **E. Risks and opportunities report**

### **Risks and opportunities**

The Sto Group operates worldwide. As for any enterprise, its national and international business activities harbour various opportunities and risks. Managing these factors in a target-oriented manner is crucial to Sto's long-term success. We thus attach high priority to the

management of opportunities and risks as an integral element of corporate governance.

The risk strategy developed by the Executive Board of Sto AG, and continued by the personally liable shareholder of Sto SE & Co. KGaA – STO Management SE – provides, among other things, for opportunities that arise to be exploited with rigour, while undertaking risks only where a commensurate contribution to corporate earnings can be expected. Generally speaking, we define risks and opportunities as potential departures from the planned result.

Below we explain our approach to risk management at Sto and address current opportunities that are available.

#### **Efficient risk management system**

The active management of risks is pursued at Sto by means of a comprehensive risk management system which forms an integral part of our business, planning and control processes. This system allows us to identify and analyse risks in good time, to assess the expected effects on the earnings, finance and asset situation and to implement appropriate countermeasures. In 2013, we rigorously applied our strategy to avoid and hedge risks once again.

The most important constituent of the Sto risk management system is a detailed **reporting system** that has been standardised for the Group. It records all operational activities, from purchasing through production to distribution, both quantitatively and qualitatively in accordance with a specified scheme. Through continuous monitoring of clearly defined key figures, we can identify undesirable developments at an early stage and quickly initiate countermeasures.

The second important element of the risk management system is a **risk manual** which is binding for the entire Group. This describes in writing various risk categories, guidelines for assessing risks and procedural instructions for every Group company.

These two instruments are complemented by an annual **risk inventory**, which is used to document all current risks of the company on a timely basis. The managers of the respective business fields are required to notify the central investment controlling department immediately of any relevant new risks which are identified in the course of the year.

Another important element of our risk management is the co-operation with **insurance companies** enjoying a strong international reputation. Sto insures material property and assets against loss and consequential business interruption caused by unforeseeable events such as fire, explosion or natural disasters. Third-party liability damages caused by Sto or Sto products are also covered by insurances. In accordance with our risk insurance strategy, we bear minor damage ourselves, while maintaining a sufficiently high coverage against major claims. Still, our insurance coverage may turn out to be insufficient in individual cases. In order to reduce the risk of underinsurance, we regularly review our insurance coverage and perform risk analyses together with our subsidiaries and other business fields. Here, we also seek the advice of an internationally operating and experienced industry insurance broker.

#### **Internal control system**

Risk management is complemented by an **internal control system (ICS)**. With regard to the accounting process within the Sto Group, this system covers all principles, procedures and measures which are intended to ensure the effectiveness, economic efficiency and reliability of the consolidated accounting and compliance with the relevant legal requirements.

The ICS at Sto also incorporates an internal monitoring system comprising in-process elements and elements independent of the process concerned. Important in-process measures are checks such as the “dual-control principle”, which are implemented according to

the maturity of the company. Added to this are machine-based IT process checks.

Another central element of the ICS is the SAP software system which is implemented at many Sto companies as a means of controlling the IT-based accounting process. Uniform and consistent application of the SAP system ensures the correct and reliable recording and processing of accounting data and details throughout the Group. In 2011, we introduced an electronic workflow based on the SAP system for centralised invoice processing and archiving, starting at Sto SE & Co. KGaA (Sto AG in the 2013 fiscal year). Since 2012 we have been implementing measures to successfully integrate all subsidiaries using SAP into this workflow. In general, access to the various types of data is clearly regulated and secured through access restrictions.

Another element of the internal control system is a manual detailing the consolidated accounting guidelines, which is subject to regular updates. The guidelines specified in the manual provide the basis for drawing up the annual financial statements in accordance with IFRS which require to be included in the consolidated financial statement. The aim of the guidelines is to ensure the uniform implementation of valuation and reporting rules throughout the Sto Group. All balance sheets, income and cash flow statements drawn up by the subsidiaries and other business fields are audited by the Group accounting department and the central investment controlling department to verify that they are correct, complete and in compliance with the accounting guidelines.

Furthermore, the corporate accounting guidelines also stipulate that a standardised and complete set of forms and a uniform system of accounts must be used throughout the Group. The manual also includes specifications on the presentation and handling of Group accounting and the corresponding balance reconciliation.

Correct accounting is ensured at Sto SE & Co. KGaA by the involvement of an external Group auditor and other auditing bodies such as the tax inspectorate. The most important monitoring measure independent of the business processes concerned with regard to the consolidated accounting process is auditing of the consolidated financial statements and the incorporated individual financial statements of the Group companies by the Group auditor. This ensures in particular that inventories are taken correctly and that assets and liabilities are assessed, valued and reported appropriately in the consolidated financial statements. The compulsory measures and accounting records additionally provide reliable and traceable sources of information.

Other controlling activities, which are intended to ensure the regularity and reliability of the accounts, cover auditing with reference to specific key figure analyses and the processing and control of highly complex business transactions by different persons. The separation of administrative, implementing, accounting and approval functions and the performance of these functions by different persons (dual control principle) reduces the attendant risks.

The regular controlling meetings between the Group management and the managing directors of the subsidiaries are a further important element of the ICS. In this connection, a meeting focusing on the annual financial statements takes place for each operationally active subsidiary between representatives of Group accounting or investment controlling and the local managing directors as well as the applicable national control committees, such as the "Board of Directors" (BOD), with participation of the local chartered accountant. If necessary, the Chief Financial Officer of STO Management SE (Sto AG up to completion of the conversion process), as representative of the Group's parent company, and the Group auditor take part in the discussions.

The ICS also includes, for example, the standing orders for the managing directors of the Sto Group. These include mandatory rules for correct conduct of business processes, which must be adhered to by all managing directors throughout the Group. As part of the audit, the chartered accountant determines through random checks whether the specified procedures have been followed.

The "Internal Revision" department, which was established in 2012, guarantees transparency of our corporate processes, which have become increasingly complex in the past few years due to the expansion of the Sto Group. Simultaneously, this ensures that increasingly strict compliance requirements are met. As an independent department, "Internal Revision" previously reported directly to the Chief Executive Officer of Sto AG and now reports directly to the Chief Executive Officer of STO Management SE as the personally liable shareholder of Sto SE & Co. KGaA; it also reports to the Chairman of the Supervisory Board on issues of compliance.

The effectiveness of the risk management and internal control system is regularly examined in accordance with the relevant statutory requirements – externally by our auditor as part of his auditing commission and internally by the Investment Controlling and Group Accounting departments plus by "Internal Revision". The Supervisory Board and, in particular, the Audit Committee receives regular information from the Executive Board of STO Management SE as the personally liable shareholder of Sto SE & Co. KGaA – previously the Executive Board of Sto AG – as well as the auditor and "Internal Revision".

By way of qualification it should be pointed out that decisions based on personal judgments, flawed checks, criminal actions by individuals or other circumstances may impair the effectiveness and reliability of the deployed internal control system, in view of which

even Group-wide application of the deployed systems cannot fully guarantee the correct, complete and timely recording and reporting of facts in the Group accounting.

The main risks for the Sto Group are presented below in order of decreasing significance.

#### **Dependence on weather conditions**

A major proportion of Sto's products is used outside. Installation and application of these products are consequently exposed to weather influences. Measures introduced a number of years ago to reduce this dependency have so far enjoyed only limited success. Consequently, a long and harsh winter can still negatively impact on sales in the first four months and fourth quarter of a calendar year, with the effects in some cases unable to be fully recouped in the following period due to limited processing capacity. The same applies to sustained periods of rainfall and hot spells. Such weather-induced declines in the business volume generally lead to significant losses in earnings. By contrast, favourable weather conditions – particularly in the first and fourth quarters of a calendar year – can result in positive changes. Fluctuations like these, which cannot be influenced directly by Sto, may, in extreme cases – measured in relation to the profit obtained in a year with average weather conditions – result in upward or downward shifts in consolidated earnings before interest and taxes (EBIT) by as much as EUR 20 million or EUR 30 million.

#### **Overall economic and industry-specific risks**

The Sto Group with its facade systems and coatings is dependent on the underlying trends in the construction industry to a substantial degree. Demand in Germany – which remains Sto's largest single market – plays a very important role. Sales of building products are very sensitive to the general level of economic activ-

ity as well as to overall economic and tax-related conditions. The potential risks present in such circumstances were evident in the crisis of Germany's main construction sector following the boom after German reunification, a crisis that lasted many years. The prolonged slump, which began in towards the end of the 1990s and did not end until 2005, led to intense competition and strongly deteriorating prices as a result of high levels of surplus capacities. We counter this economy-based risk mainly through internationalisation of our business activities, which ensures regional diversification and makes us more independent of cyclical fluctuations in specific countries. This also puts us in a position to avoid subsidiary risks for the Sto Group resulting from market interest rate changes: significant rises in interest can result in a decline in building investments.

#### **Risks in the procurement of raw materials**

The Sto Group uses raw materials such as marble and quartz sands, cement, silicates, silicones and aqueous dispersion agents in the manufacture of its facade and coating products. Risks could arise from the concentration tendencies on procurement markets.

There is a certain price-dependency of our self-produced products and commercially available products based on crude oil, including paints and polystyrene insulation board, for example, or even our plastic containers (e.g. yellow Sto pails). The price of crude oil is highly volatile as it largely depends on the performance of the global economy and the political environment. Irrespective of this fact, the price trend is expected to make a climb in the medium to long term. The situation is compounded by the fact that the demand for numerous speciality chemicals, such as titanium dioxide, in the emerging and developing countries is also increasing continually and is likely to produce additional upward price pressure in the long term.

In the Sto Group, too, strong increases in procurement prices could trigger a significant rise in material costs in a relatively short period of time. As it is not usually possible to pass price increases on to customers over the short term, this would result in a rise in the cost of sales percentage. Based on our experience, the cost of sales percentage during periods like this may increase by up to two percentage points, which in turn could result in a decline in earnings of as much as EUR 25 million.

Price and cost effects aside, a global rise in demand for various raw materials and goods could also trigger occasional supply shortages in extreme cases. We are confronting these risks through advance procurement and planning as well as contracts with our partners and suppliers. Moreover, constant work is performed in close cooperation between the Sto areas of procurement, R&D and production on optimising the use of materials and making it more flexible. The objective is to guarantee sustainable supply of the relevant raw materials. Simultaneously, the qualification of alternative materials and suppliers continues in order to increase the security of supply for all production units in the Group.

#### **Sales risks**

As things currently stand, we do not expect future sales of Sto products to present any significant risks, as the sales potential of facade systems should in principle remain very high thanks to a healthy stock of older buildings. Despite this, the public debate that is currently taking place in Germany on the benefits and drawbacks of building insulation – with a specific focus on reusability, building culture, and fire risks – could result in investors and private building owners in this part of the world showing a temporary reluctance to invest. Recently, feelings of uncertainty have been fuelled further by conflicting and, in some cases,

highly exaggerated media reports. Against this backdrop, the entire industrial sector faces the risk of failing to fully exploit sales potential over the short to medium term, and of temporary declines in demand. As the market leader, Sto may bear the brunt of this impact. This would be reflected in equivalent levels of turnover and income losses.

Sto, however, takes the same attitude as the industry association, believing that it is possible to bolster the confidence of users and consumers by providing them with objective information and clear explanations of the product properties that facade systems offer. It is also important to add that criticism has chiefly been levelled at systems containing EPS insulation boards, which are only used in one section of our system range. Beyond this, Sto offers a number of other insulating materials that ensure high-performance facade systems, as well as facade coatings and interior products. The risk is also mitigated by Sto's success in regional diversification and the long-term upward trend in energy prices, which has made facade insulation an increasingly appealing prospect from a financial perspective. Another plus point in this area is policy-makers' commitment to adhere to targets for achieving energy savings and CO<sub>2</sub> reductions, something which opens up opportunities for launching relevant incentive measures.

We meet the risk substituting external wall insulation systems with competitive products and systems through permanent further development regarding quality, safety, environmental compatibility and economy. In addition, inherent system weaknesses can be recognised through the analysis of product life cycles. In this way, deficits that may arise over time can be recognised and eliminated. Continuing technical progress and the knowledge derived from this enable Sto to further develop and improve products and systems.

### **Warranty-related and legal risks**

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

At the same time, however, innovations can involve risks. Although newly developed products or versions of products are officially launched on the market only after extensive testing as a matter of principle we will never be able to completely rule out the possibility of warranty claims against companies of the Sto Group, including such claims arising after some time has elapsed. We reserve the right to react appropriately to recognised risks through adequate innovations or modification of mature products.

The U.S. insurance industry currently does not offer any economically viable insurance coverage for product risks of facade insulation systems. The effects of potential damages or liability claims in the USA on the finance and earnings situation of the Sto Group cannot be assessed conclusively on account of their national legal system. In order to further limit the risks inherent in our activities abroad, we engage the services of external consultants, where necessary, during decision-making procedures. Apart from the legal issues, which are constantly increasing in importance, this also applies to technical questions.

A further legal risk for companies of the Sto Group is that of liability associated with consultancy services. This arises as a result of Sto offering customers services to complement its product range. For example, employees of Sto SE & Co. KGaA provide our customers with support for 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 reduction in liability risks.

### Payment default risks

In times of recession the building industry also faces an increased risk of default on receivables. To avoid or mitigate the financial consequences arising from this, a credit management system has been implemented in the Sto Group and been adapted to the specific conditions prevailing in individual countries. The most important component of the system in place in Germany is a set of rules containing guidelines for granting and monitoring merchandise credits. Strict application of these rules has allowed us to keep the default quota at a low level even during difficult economic times.

### Currency risks

Sto embarked on a consistent strategy of developing foreign regions at an early stage in an effort to reduce dependence on the German domestic market. As a result of the gradual internationalisation of our operations, we are increasingly exposed to currency risks. We control these risks by means of currency hedges. Our focus is on the currencies of countries where we do not have production facilities, i.e. where regular supply and payment flows are necessary to maintain business operations. In 2013, this applied specifically to Switzerland. In addition, in specific cases and where necessary, we also perform additional hedging.

### IT risks

The information technology used in the Sto Group is becoming increasingly important. The Internet and data networks are subject to ever stronger cyber attacks, so the importance and complexity of safety measures grows each year. In 2013, the Edward Snowden case demonstrated just how significantly espionage on the part of government institutions can affect even

medium-sized enterprises. With this in mind, at the outset of 2013 we started planning and implementing further-reaching cyber security measures. Regarding the use of Internet-based services (Cloud), we see both legal and technological risks, so we do not currently use these services for enterprise-relevant information and processes.

#### Continuity:

The core systems necessary to the Sto Group's operating business, such as SAP and Lotus Notes, are deployed in redundant and fully virtualised form. This ensures maximum continuity of the systems and the appurtenant services. In order to further enhance security and counter the consequences of possible collateral damage in the computer centre, an adequate physical separation of the existing, redundant computer centres was initiated. The data of the core systems are backed up daily in a data back-up system and stored separately.

#### Integrity:

We counter the risks of unauthorised access to the Sto Group's information systems to the extent possible through technological systems available in the market. Besides the multiple-step security architecture, these also include the restrictive issue of access authorisation and the prohibition of storing enterprise-relevant information in unprotected areas, such as Internet Cloud systems.

#### Availability:

The redundant configuration of all core operational systems and network connections ensures maximum availability for all relevant business processes. An automated monitoring system serves to continuously monitor system availability. To counteract risks that might result from a difficulty in replacing hardware components or the inability to update software, we have kicked off an extensive package of measures taking

place within the context of “Retrofit”, with the aim of gradually modernising the infrastructure affected by this.

#### **Human resources risks**

The success of the Sto Group is primarily based on the know-how and commitment of its employees. If, in the light of the increasingly strong competition for professionals and executives, we do not succeed in recruiting appropriate personnel, this will have a negative impact on our future corporate development. This problem may become even more serious in the medium to long term due to the demographic development, particularly in Western industrial countries. On the one hand, it cannot be excluded that young professionals become even scarcer. On the other hand, there is a risk of many people leaving the company due to old age, which goes hand in hand with a loss of know-how.

Sto SE & Co. KGaA implements numerous measures to eliminate these risks and position itself as an attractive employer. For example, we provide attractive career development opportunities as well as comprehensive further and advanced training and we improve the reconciliation of work and family life. This way, we would like to win over new professionals and executives, while, at the same time, encouraging the loyalty of people already working for Sto. For more information on our HR strategy and measures designed to enhance our attractiveness as an employer, see the “Sto – Employees” chapter on pages 31 to 35.

#### **Risks arising from fluctuations in payment flows**

As a result of the seasonal variability in the level of sales of Sto products, the demand for liquidity to finance current business also varies greatly in the course of a year. There is a particular need for cash in the first few months of the year. In the second half of the year, cash inflows exceed outflows. Risks arising from

these fluctuations in payment flows are limited at Sto by the available liquid funds. In addition, we dispose of an adequate and contractually guaranteed variable credit facility as part of a syndicated loan agreement.

To further reduce the exposure to liquidity risks, we are also in constant and 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 liabilities to banks at variable interest rates.

With regard to the continuing internationalisation of the Sto Group and to account for the growing demands on risk management, we have expanded our **treasury activities** by establishing a separate department in 2012. This measure strengthens and further centralises treasury activities such as the recognition and control of financial resources for internal and external financing as well as the financial risk management. In 2014, we will preparing to launch a comprehensive, Group-wide treasury guideline. It aims to define and outline clear rules and regulations.

#### **Environmental risks**

The manufacturing processes for Sto products pose only minor environmental risks, as production takes place in modern, automated plants, which reduce the risk to the environment. We have also implemented an environmental management system geared to international standards. More information about our environmental protection measures can be found in the section entitled “Production and procurement” and in the Sustainability Report in this Annual Report.

#### **Opportunities and risks for business development in 2014**

Predictions on the future business development are generally subject to major uncertainty. At

Sto, one of the major factors to account for is the set of highly volatile general conditions to which the international construction industry is exposed. Additionally, our planning contains some forecasts concerning trends in currencies that are relevant to Sto, and which may also be subject to significant fluctuations due to numerous influencing factors. Another fundamental premise on which our planning is based is that political conditions will remain stable. Should our assumptions prove incorrect, however, then actual conditions may deviate from the expectations described for 2014 to a greater or lesser degree.

It is also important to consider that the general risks presented in the risk report may bring about some short-term influencing factors that may have either a positive or a negative effect on development. One such factor at the moment is the issue of sovereign debt within the euro zone. Despite current signs that tensions are easing in this area, fundamental challenges (such as huge debt levels and a loss of trust in some countries) have yet to reach a satisfactory conclusion, or any conclusion at all, meaning that the possibility of a resurgence in the financial and economic crisis cannot be ruled out altogether.

Additionally, it is not possible to forecast the effects of the austerity measures that local authorities are taking in numerous European nations (in some cases, on a significant scale) as part of fiscal consolidation efforts. In the countries affected by this, the result could be a decline in construction investments in the public sector.

The current debate surrounding the environmental impacts and fire risks associated with facade systems, and with building culture in general, is continuing with no end in sight in the foreseeable future. Subjects such as security have also come to the forefront of discussions recently, stirring up strong emotions (such as feelings of anxiety) in people. As experience

from other industries has shown, subjective issues of this kind cannot be allowed to have an influence over trade associations or companies – or at most should only play a very minor role. With this in mind, it is not possible to make a reliable prediction of how EWIS sales will develop in the future. If, however, a decline does happen, then Sto – as the market leader – could be particularly hard hit.

If the world's economy recovers more effectively in 2014 than research institutes have predicted, the demand for raw materials will rise at a disproportionate rate and is therefore likely to result in significant price increases that exceed our plans. As things stand, it is not yet clear whether these higher costs would be balanced out by turnover effects resulting from higher demand for construction services. On the other hand, opportunities could arise if raw materials prices rise less significantly than assumed in our forecasts.

The dependency of the construction industry on the weather remains another element of uncertainty. Despite technological progress, extreme weather conditions can still prove a considerable hindrance for construction activities, as the first half of 2013 in Europe demonstrated. At the same time, favourable conditions are a possibility during the winter months – a time when it is not usually possible to carry out any work on construction sites – and may have a positive effect on the turnover and earnings situation, something that was borne out by the first three months of 2014.

Government funding has shown to have a positive impact on the sale of facade systems. Therefore, Sto can expect opportunities to arise when new programmes are launched or existing incentive measures are extended. This does, however, require the programmes to be designed in a transparent way that is tailored to the relevant target groups. Otherwise, there is the risk that such measures will not be taken advantage of and that facade product manufac-

turers will not be compensated for the advance expenses they have incurred. Delays in decisions on the policies underpinning these measures also exacerbate the risk to which providers are exposed. Having to wait for possible solutions may lead to potential building owners being reluctant to invest, with demand shortfalls occurring as a result. In 2013, this kind of situation had a negative impact on facade product sales.

Opportunities for operating improvements for Sto in 2014 could also result if the economic trends in those regions for which our planning is very cautious turn out better than forecast. This relates to countries in Southern and Eastern Europe in particular, but also German-speaking regions.

Our strategy of sharpening the international profile of our activities in specific areas is also set to open up significant opportunities in the medium term. There is potential to be gained from exploiting new markets as well as from more intensive development in countries in which we are already represented.

Over the long term, too, we believe that the opportunities Sto has will outweigh the risks it faces, as the need to install energy efficiency measures within buildings in order to reduce CO<sub>2</sub> emissions is set to rise even more in the future. Furthermore, decision-makers in the area of climate protection are now speaking with one voice. As we also expect to see prices for key fossil fuels escalate as resources become ever more scarce, we believe that facade systems will become increasingly appealing from a financial perspective too. For Sto, as one of the leading manufacturer of external wall insulation systems, this means additional sales potential.

#### **Overall risk exposure**

The assessment of the overall risk for the Sto Group is carried out using our risk management system. Following the assessment of current and potential future individual risks,

and taking into account the countermeasures already initiated, the Executive Board of the personally liable shareholder of STO Management SE and the Supervisory Board have come to the conclusion that no assessable risks are discernible at present that could have enduring and significant adverse consequences for the asset, earnings, and finance situation of the Sto Group.

## **F. Outlook report**

### **The global economy in 2014**

According to IMF predictions, the global economy is set to gain momentum on the whole in 2014 and, based on current perspectives, is expected to demonstrate a 3.6 % growth. In particular, a continued revival in industrial nations – whose total economic performance could rise by around 2.2 % – may propel this trend forward. The euro zone is set to deliver a considerably improved performance on the previous year: its downswing is likely to come to an end and, for the first time in years, it may demonstrate moderate growth of approximately 1.2 %. Economists also predict much stronger momentum in the USA (+2.8 %) and Great Britain (+2.9 %).

Where emerging and developing countries are concerned, the IMF is also forecasting significant growth of 4.9 %, even though this figure is below original assumptions. In many regions, positive effects arising from export growth in industrial nations is likely to be attenuated by demand in Germany that is weaker than expected.

The IMF, however, points to the numerous risks that this positive overall development still faces. These include a rising risk of deflation in the euro zone and uncertainty about how monetary policy in industrial nations is set to continue, something which could bring financial stability worldwide into jeopardy.

### Trends for the international construction industry

Growth in the **German building industry** is on the horizon for 2014: according to calculations of Germany's two central construction industry associations – the Hauptverband der Deutschen Bauindustrie and Zentralverband des Deutschen Baugewerbes – overall turnover may achieve a nominal rise of 3.5 %, taking the volume to just under EUR 100 billion. Based on this information, residential construction will remain the driving force behind this positive trend, with a 5 % growth expected in this area. However, there are also foreseeable increases in commercial construction (+2.5 %) and public construction (+3.5 %).

In **Europe**, EUROCONSTRUCT is forecasting a moderate rise in building structure volume (0.8 %). This is set to be driven by slightly positive growth in demand in the majority of regions. However, current expectations are that Southern European and some Eastern European countries will represent particular exceptions to this. Both the new building segment (+0.7 %) and the area of renovation (+0.9 %) are likely to benefit from the forecast revival.

Information from GTAI indicates that the **US construction industry** is set to keep pursuing its course of growth in 2014. The number of construction projects started is expected to increase by around 9 % on the whole. Here, residential construction – with an increase of approximately 23 % – may once again demonstrate the strongest growth against a background of low interest rates and rising house prices. Commercial construction is also likely to rise, although ongoing budgetary constraints may mean that public construction remains in a difficult position.

Currently, there are no signs of the expansion in **China's construction sector** coming to an end as yet. Its momentum could, however, weaken in 2014 if the government measures implemented as a means of dampening the

pace of growth make an impact. Regardless of this, the areas of building modernisation and investments in energy-saving heating, cooling, and air conditioning technology may become more significant, based on information from GTAI. The Chinese State Council plans to implement green technology over a total of 1 billion square metres by the end of the current five-year plan in 2015.

### Projected performance of the Sto business segments

Assuming that the underlying economic conditions develop as forecast and with due regard to Sto's position in the respective markets, we expect growth in business volume in the middle single-digit percentage range in the **Western Europe** segment for 2014. We are particularly anticipating rises in German-speaking regions. By contrast, conditions affecting the Southern European subsidiaries may remain difficult because of the unstable economic situation.

In the **Northern/Eastern Europe** segment, significant differences between the various regions are set to continue: while we expect further growth in the northern countries, business volumes in Eastern Europe may remain static. In this area, we therefore anticipate a net increase in turnover in the lower single-digit percentage range. Combined with the expected cost structure development, our return on sales in this segment – viewed in relation to the return on sales of the Group as a whole – should continue to deliver below-average performance.

According to current projections, business in the **America/Asia** segment is set to demonstrate positive growth. Overall, we are forecasting a rise in the middle single-digit percentage range, with contributions to this likely to come from all regions. In America, Sto Corp. should benefit from the anticipated healthy conditions in the US construction sector. Meanwhile, we are also confident that our South American

subsidiaries will put in a good performance as a result of our concerted efforts to tap into markets in this region. In Asia, too – where China is the principal market – we are expecting to see growth in turnover once again following the period of consolidation in 2014.



### Projected performance of the Sto Group

For 2014 as a whole, the Sto Group is expected to achieve an approximately 5 % increase in turnover to around EUR 1,225 million. This forecast is based not only on the development that individual regions are likely to experience, as described previously, but also the anticipation that demand for facade systems in most countries will rise somewhat more significantly than in previous years. We are also working on the basis that the euro will remain relatively stable. Thanks to the mild weather, the current reporting period has begun on a very positive note. However, the growth in turnover that the first quarter of 2014 is likely to have generated cannot be considered to be representative for the entire year, given that comparable results in 2013 were exceptionally low due to the weather. Therefore, we expect to see figures normalising as the year progresses.

As things stand, consolidated earnings before interest and taxes (EBIT) is likely to fall to between EUR 90 million and EUR 100 million. In this case, the earnings situation is expected to be put under strain by factors including staff costs – which are likely to rise significantly – as well as increasing material expenditure, particularly for specialty chemicals and petroleum-based products. Besides this, considerable costs are anticipated to come from the involvement of Sto SE & Co. KGaA in an extensive awareness campaign as part of the debate currently surrounding external wall insulation systems.

Earnings before tax (EBT) in 2014 are expected to reach between EUR 88 million and EUR 98 million. We are also likely to see a return on sales between 7.2 % and 8.0 %.

2014 will also see another rise in the number of **employees**. We will be appointing new members of staff in specific areas within growth markets, although further targeted restructuring measures are set to take place in countries battling difficult economic conditions.

According to budget figures, **investments in property, plant, and equipment** will be approximately EUR 45 million. In addition to the usual replacement investments, there are also plans in the pipeline for some major projects, including the construction of a new office building at our Stühlingen location and an additional plant in France, which will be equipped to accommodate the growth it is set to see in the future. We will also be working on extensive efficiency improvement measures on our StoVerotec production lines, and making investments in IT hardware and software.

Turning to the area of **financing**, we do not have any extraordinary measures planned for 2014.

### General statement on future development

The Sto Group is one of the leading providers of high-quality facade systems and coatings. We have a comprehensive, premium-quality product range, innovative strength as well as an efficient sales and distribution system. Over the coming years, we intend to focus specifically on further expanding our international presence. Based on our excellent market position and extensive expertise, we are convinced of our ability to maintain our course for earnings-oriented growth over the medium to long term. We therefore view the current phase of only moderate growth as normal consolidation following several years of strong expansion. In the future, we expect momentum to come from increased demand for products that are designed

to improve buildings' use of energy and energy efficiency. At present, we believe that the debate currently taking place in Germany on the issue of EPS facade systems – and the feelings of reluctance resulting from this on the market – could have a sustained effect on the industrial sector. However, for reasons outlined earlier, the extent of this cannot currently be predicted with any certainty. Our business developments will be supported by a very solid financial basis, making us less vulnerable to fluctuations in the economy. An additional plus point is our professional, committed workforce. Sto is aware of its responsibility towards its employees and will continue to pursue its long-term personnel policy and aim to work in close contact with employee representatives. We will face up to our social responsibility with equal vigour and integrate sustainability aspects even more firmly into our corporate structures.

Stühlingen, April 2014

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

## Sto share

### Data on the Sto preference share

Ticker symbol	STO3
ISIN	DE0007274136
WKN	727413
Share category	Non-voting bearer preference share
Market segment	Regulated market
Level of transparency	General Standard
German Securities Exchange sector	Consumer goods
German Securities Exchange subsector	Residential construction and furniture
German Securities Exchange industrial sector	Plastics
Number of preference shares	2,538,000
Number of non-listed ordinary shares	4,320,000

### 2013 on the stock markets

In 2013, the stock markets of the major industrialised countries steadily gained momentum in the course of the year and the majority showed considerable gains. Impulses emanated mostly from the unchanged, generous ensuring liquidity of the financial markets due to the reserve banks. Furthermore, the economic prospects in parts of Europe and the USA gradually brightened up. The good prevailing mood at these stock exchanges was only tarnished temporarily as a result of the declining economic dynamism in the emerging nations, which caused significant exchange losses there in part. Against this background, some share indexes were able to reach new record levels. This also included the German DAX benchmark index, which unwaveringly continued the upward trend of the previous year and climbed to 9,589 points in December (XETRA closing price).

### Share price trend for 2013

(indexed on 28 December 2012 = 100)

- Sto preference share
- DAX
- Construction



At 9,552 points, the last rate of the year was set just below this value. Hence the DAX attained a plus of 25.5 % for the whole of the financial year. The Small-Cap-Index SDAX increased by 29.3 %.

### Sto preference share also with a substantial profit

In this positive stock market environment as well as with support of the robust German construction sector, first and second-tier construction stock also had a good year in 2013, with the construction sector index of the Frankfurt Stock Exchange increasing in value by 23.8 % during the course of the year. The Sto preference share was also able to increase significantly, peaking temporarily at EUR 147.00 and thus reached a new historic high. The XETRA year-on-year closing price was EUR 138.00, corresponding to an increase of 23.2 %. The stock market low of EUR 112.00 closed at the beginning of April.

The market capitalisation of 2.538 million Sto preference shares stood at EUR 350.2 million at the end of December (previous year: EUR 284.3 million).

### Earnings increased

Sto SE & Co. KGaA's consolidated turnover (in the 2013 fiscal year) rose by 2.1 % in 2013 to EUR 1,166.0 million. Earnings of the operating activity EBIT increased by 4.8 % to EUR 99.9 million, which was above our original forecasts. An important reason for this was the fact that material costs developed more favourably than expected. Consolidated net income improved by 4.7 % to EUR 68.5 million. This resulted in basic and diluted earnings per preference share of EUR 10.75 (previous year: EUR 10.17) and per ordinary share of EUR 10.69 (previous year: EUR 10.11).

The personally liable partner STO Management SE and the Supervisory Board will propose an unaltered dividend distribution at the Annual

General Meeting on 17 June 2014. This means that the limited liability shareholders are expected to receive an ordinary dividend of EUR 0.31 per preference share or EUR 0.25 per ordinary share as well as a bonus dividend of EUR 4.56 per preference and ordinary share. This results in an attractive dividend yield per preference share of 3.5 % based on the 2013 closing price. Based on the opening price for 2013 of EUR 112.0, this means a yield of 4.3 %.

### Trading volume in 2013

In the 2013 fiscal year, Sto preference shares were traded on the regulated market on the stock exchanges in Frankfurt and Stuttgart, in the electronic trading system XETRA, and on the unofficial regulated market of the Berlin,

### Key figures

Values per share in euros

	2013	2012
Earnings per preference share	10.75	10.17
Cash flow from current operating activities	12.59	11.18
Equity capital	75.50	69.84
Distribution per preference share		
Dividend	0.31	0.31
Bonus	4.56	4.56
Share price at year end*	138.00	112.00
Year high*	147.00	120.00
Year low*	112.00	99.35
PER (31/12)	12.84	11.01
PER (high)	13.67	11.80
PER (low)	10.42	9.77
Capitalisation of preference shares on 31 Dec (in EUR million)	350.2	284.3
Average daily trading volume (number of shares)**	3,544	2,833

\* XETRA closing price

\*\* All German stock exchanges

Düsseldorf and Munich stock exchanges. In total, almost 896,734 Sto preference shares changed hands on all the German stock exchanges in 2013, compared to around 719,640 in the previous year. 73.6 % (previous year: 73.2 %) of the total turnover were traded on XETRA, 8.7 % (previous year: 9.9 %) in Frankfurt and a total of 17.7 % (previous year: 16.9 %) at the other trading locations. On average, around 3,544 Sto preference shares were traded daily on the stock exchanges, in comparison to around 2,833 in 2012.

(ISIN DE0007274136) on the regulated market of the stock exchanges in Frankfurt am Main (General Standard) and on the Baden-Württemberg Stock Exchange in Stuttgart. Furthermore, the limited preference shares, just like the preference shares of the Sto AG until now, are traded on the electronic trading platform XETRA as well as on the unofficial regulated market of the Berlin, Düsseldorf and Munich stock exchanges.

#### **Shareholder structure**

Of the 2.538 million preference shares, an estimated 50 % were in the hands of institutional investors at the end of December 2013. The remaining preference shares were free float. The number of non-listed ordinary Sto shares remained unchanged at 4.32 million. At the cut-off date, 90 % of these were held by the Stotmeister family via the Stotmeister Beteiligungs GmbH, and 10 % by Sto AG.

#### **The Sto SE & Co. KGaA share**

On 12 June 2013, the Annual General Meeting of Sto-Aktiengesellschaft with the accession of STO Management SE as personally liable partner decided the conversion into Sto SE & Co. KGaA. After litigation of a legal dispute concerning the lawfulness of the conversion resolution, the conversion was registered in the trade register of the Freiburg district court on the 26 March 2014 and thus finalised.

As a result of the conversion, the share capital of the current Sto SE & Co. KGaA regarding the number of shares, notional nominal value and other characteristics of the shares have not yielded any change in comparison to the share capital of the previous Sto AG. Now 4,320,000 shares exist for registered ordinary bearer shares and 2,538,000 shares for preference bearer shares. The limited preference shares are still listed and traded under the WKN 727413



## Sustainability and Corporate Social Responsibility

### Assuming responsibility

Adopting a sustainable approach to business activities is one of the keys to achieving long-term success. This applies especially in an increasingly complex world, in which ecological and social concerns – apart from the classic economic challenges – are becoming ever more relevant. As a result, risks as well as opportunities are becoming more diverse. Appropriate instruments that encompass a coherent sustainability strategy are required for managing these challenges consistently and successfully. In this way, Sto is combining the aim of creating a sound basis for continuous, earnings-oriented growth. After all, sound finances are essential in order to meet our responsibilities to our customers, the company, employees, other stakeholders and shareholders as well as to the natural environment (**Corporate Social Responsibility**).

### A. Sto's sustainability strategy

Sto has already been committed to sustainability since the establishment of the company – even when this concept in 1955 did not exist in the form that we know today. But even at that time, our corporate policy was oriented towards long-term, positive development in fair cooperation with customers and employees. This is also expressed in the corporate mission “Building with conscience” drawn up by us, which symbolically stands for our objective of maintaining the value of buildings in strict compliance with the needs of mankind and nature. In accordance with this objective, we also defined our corporate vision “Technology leader in the sustainable design of living space tailored to human needs. Worldwide”.

In the course of time, we further expanded our commitment in the area of sustainability step by step and set up our own department for this in 2012. This was conceptualised purposely for the fulfillment of cross-sectional tasks in order to enable strategic and content access to all company resources. Furthermore, the department is in direct contact with the Management Board.

Even during the initial activities, the benefits of the central coordination were obvious: Firstly, it enabled the comprehensive assessment of where the Sto Group was already active, where there was still room for improvement and which focal points should be set. Secondly, it contributed and is still contributing significantly to deepening the understanding of sustainability and CSR in the company, discussing specific issues as well as defining tangible objectives. Based upon already established management processes as well as company- and product-related measures, we developed an overall concept in 2013, where all sustainability activities of Sto are pooled, reviewed regularly and realigned if needed.

### Shaping the future

With the implementation of a comprehensive sustainability management system or coherent strategy, not only do we want to continue our traditional approach, but we also want to prepare ourselves adequately for challenges ahead. To this end, we have identified and analysed the following megatrends that will involve opportunities and risks for the Sto Group:

- **Changes in the market**

The demand for “sustainable” products and solutions will grow constantly in the years to come, since a responsible lifestyle is increasingly becoming the attitude of individuals as well as of entire societies. In the construction industry, for example, this means that Green Building certificates as well as the guidelines

**Sto** | Bewusst bauen.

of the German Sustainable Building Council (DGNB) or the Leadership in Energy and Environmental Design (LEED) will be in greater demand than before. Sto – even today one of the leading providers of such solutions – will seize the resulting opportunities by systematically developing the product range. At the same time, we will align the corporate processes in production and logistics as well as in daily business operations even more intensively towards sustainability.

Another key challenge for manufacturers and service providers will be to provide an extensive data pool that not only provides information and builds trust, but that will also allow critical building owners and investors to make targeted decisions. At the same time, there will be increasing demands for greater transparency from stakeholders as well as employees, investors, the media and public-sector players.

- **Demographic change and urbanization**

Demographic changes and the relentless pace of urbanisation increasingly require new, creative residential and building concepts. The same holds true for the trend towards higher quality of life as well as the increasing need for health and well-being. Here, there will be a demand for solution expertise that can meet the individual and regionally shaped demands both in growing and in ageing societies. Furthermore, demographic change is an important factor in ensuring manpower.

- **Ecological and social changes**

The steady progress of climate change will probably have noticeable consequences for global weather events. Possible consequences could be increased heavy rainfall, hail showers or long spells of hot weather. Solving such problems and reducing the

climate-damaging influencing factors caused by human activity are therefore tasks for society as a whole. However, even individual companies such as Sto can contribute towards solving this problem.

- **Controlling sustainability**

As part of the realignment of the sustainability strategy, Sto also further developed the associated reporting. In future, more relevant key figures will be collected on environmental protection, energy and resource management, responsibility towards employees, ensuring the availability of future employees as well as issues of compliance. The managers in the respective Sto companies are responsible for implementing the measures derived from this reporting.

Reporting and corporate management are oriented towards the following regulations:

- **National and international standards**

An important external body of external regulations that we align our activities with is the “**Global Compact**”, a strategic initiative under the auspices of the United Nations. The “Global Compact” participants are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to supporting the corresponding objectives. This report represents the annual Communication on Progress (COP) required by the “Global Compact”.



While the guidelines of the “Global Compact” are more general in nature, the comprehensive framework of the “**Global Reporting Initiative**” (GRI) provides instrumental guidance in that numerous, specific measurable sustainability indicators are proposed. While it is true that Sto does not currently report according to the GRI Guidelines since a full data collection according to GRI would involve an enormous amount of effort and some indicators have little relevance for Sto, a comparison of its sustainability reporting is still carried out with the key figures mentioned there.

The **German Corporate Governance Code** represents an important set of national regulations for responsible and transparent company management. Compliance with legal and ethical standards as well as a sound financial policy are integral to our understanding of good corporate governance. All forms of bribery and corruption are unacceptable for us and will not be tolerated.<sup>1</sup> Further details relating to corporate governance at Sto are to be found in the Corporate Governance Report on pages 11 to 15. In 2013, the sustainability initiative “**CHEMIE<sup>3</sup>**” was initiated through a cooperation between the German Federation of the Chemical Industry (VCI), the Union for the Mining, Chemical and Energy industries (IG BCE) and the Employers’ Federation for the Chemical Industry (BAVC). As a first step, it developed important guidelines for the chemical industry in Germany. Sto SE & Co. KGaA, which uses a great number of building chemicals on account of the system, feels committed to embrace these regulations and participate in the activities of the initiative.

- **Internal corporate regulations**

We supplement these specifications from external sources with internal corporate regulations, which are designed to accom-

modate Sto’s specific corporate environment. First and foremost are the “Principles of Cooperation and Management within the Sto Group”. It is the most important document, and one which we use to translate the general ideas outlined in our Guiding Principles into concrete actions. In addition to rules on internal cooperation at Sto, these principles also stipulate a binding commitment to respect human rights and to promote such rights within the company’s sphere of influence.<sup>2</sup> The Sto managers on site are responsible for implementing this.

The principles also enshrine the unrestricted right of employees to organise themselves into unions or other employee representative associations.<sup>3</sup> We prohibit forced labour, child labour, and any kind of discrimination.<sup>4</sup> Additionally, we insist that the remuneration our employees receive in all companies of the Sto Group remains above minimum wage at all times. Beyond these basic rights, we aim to create a work environment for all our employees which ensures freedom from physical and mental harm and is conducive to good health and realisation of the individual’s capabilities.

- **The Sto “Sustainability Compass”**

In 2013, we developed a new instrument, the so-called sustainability compass, to control the dynamics and complexity of sustainability activities. The starting point for this was our definition of sustainability, which is based on the propositions of the “Brundtland Commission” of 1987 and the Rio Conference of 1992. According to this, economic, ecological and social issues must be harmonised in such a way that the needs of present and future generations can be met. This inevitably implies the formulation of complex targets, which all too frequently leads to objections and conflicts of interest. By deploying our sustainability compass, we

<sup>1</sup> UN Global Compact principle 10.

<sup>2</sup> UN Global Compact principles 1 and 2.

<sup>3</sup> UN Global Compact principle 3.

<sup>4</sup> UN Global Compact principles 4, 5 and 6.

want to make this ongoing and complex process more manageable and find solutions that go in the desired direction. It encompasses four dimensions: Ecology, economy, social and well-being. Hence, we are supplementing the classic definition quite deliberately to include the term well-being, which is frequently ignored in most discussions. However, we view it as elementary: Particularly when designing facades and interiors, human factors such as subjective perceptions, individual values, aesthetic appeal and comfort play an essential role. The consideration of such components is in line with the idea of our Guiding Principles. The four-dimensional approach of the sustainability compass is suitable for assessing all Sto products and corporate activities. It helps us to recognise and rate the wide variety of criteria that have to be considered with regard to the issue of sustainability, and thus find the most sustainable solutions possible. With regard to building refurbishment, this not only means taking cost factors into account, for example, it also means setting these factors in proportion with demands for environmental and climate protection (e.g. by insulation), well-being (e.g. by increased living comfort and attractive design) and economic costs (e.g. by preservation of a building).



## B. Sustainability company-wide

As part of our comprehensive sustainability approach, we proceed in a cross-process manner in order to record all corporate activities. In this way, for example, we have established a comprehensive quality and environmental management system in the **production** area, in which all locations are recorded and all production sites are additionally audited internally. 20 of the 26 production sites are additionally certified externally according to international standards such as ISO 9001, ISO 14001 or SHARP in order to document the high level. The remaining sites are also to be certified externally in the years to come and existing audits are to be extended in part based on ISO 50001 and OHSAS 18001. The implemented systems ensure a methodical and verifiable group-wide approach and allow the continuous identification of improvement measures, which is an essential requirement for optimum control of business operations.<sup>5</sup>

Environmental protection is one of the key tasks in the field of sustainability. Quality also plays a central role for Sto: In the case of facade products, this stands for durability and protection against external building damage and thus less consumption of resources and energy. At the same time, the satisfaction of our customers is increased significantly.



Environmental protection is an important aspect for Sto. The picture shows the filling of a Sto pail with the recycling product StoArmat RC in Villach/Austria.

<sup>5</sup> UN Global Compact principles 7 and 8.

Raw material delivery for production in Stühlingen.



Sto's sustainability activities go beyond the Group itself: Our responsibilities also cover areas such as **logistics** and the supply chain. As the most important measure here, we have implemented a code for suppliers ("Supplier Code of Conduct") in order to integrate sustainability even into the **procurement process**. It is based on the "Global Compact" principles as well as on the concepts set out in the Sto Guiding Principles and requires that our suppliers accept these and thus assume certain minimum obligations. Furthermore we ask our suppliers to provide us with information on key ecological, financial, and social indicators. The results and findings are incorporated into the bi-annual supplier evaluation and rating, and are discussed during contract negotiations if necessary.

With respect to procurement, we also make sure that regional products – wherever this is possible and economically feasible – are given preference in order to keep the transport routes short and the resource consumption low. In Germany, around 72 % of the purchasing volume of main raw materials and packaging are procured within a maximum radius of 350 km and insulation boards within a maximum radius of 250-300 km.

#### Resources and energy efficiency

We are constantly striving to improve our resources and energy efficiency company-wide.

As part of this we relied on strategies such as monitoring systems, which make it possible to record and analyse power consumption and heating energy on a continuous basis. The figures prove just how successful these measures have been: between 2005 and 2013, we were able to maintain electricity and heating energy consumption (and, therefore, our emissions volume in Germany) at a constant level despite a significant rise in production of 31.5 %. In fact, water consumption even decreased slightly. At the main location in Stühlingen, the production water is drawn from our own wells, then prepared internally and reused in a modern silo purification plant. After passing through this circuit several times, the purified water is channeled into the municipal water treatment plant. The volume of waste also remained constant during this period. Waste costs were also reduced by approx. 20 % at the same time. Furthermore, all Austrian locations have been certified climate protection plants of the Climate Alliance Austria since 2004, which employ an energy guideline, among other things, for all factory buildings.



Silo cleaning system in Stühlingen.

We also deploy monitoring systems for our vehicle fleet in order to optimise routes and driving behaviour, for example. We support economical and environmentally conscious driving, among other things, by the participation of our drivers in appropriate training

courses when purchasing new lorries or by the use of the BahnCard Business for business trips, which guarantees mobility in long-distance traffic within Germany with 100 % green electricity.

When choosing company cars, we are guided by a complex full cost analysis with an optimum balance between price, performance, consumption and CO<sub>2</sub> emission. Furthermore, we raffled an electric vehicle "Renault Twizy" with the colourful "iQolor – INTELLIGENT COLOR" logo at the Cologne "Farbe Ausbau & Fassade" trade fair in the competition at the Sto AG stand in March 2013. A painting firm from Berlin was drawn as the winner, whose employees now drive the manoeuvrable, eye-catching, and most of all, environmentally friendly runabouts to customer meetings.

With regard to the protection of resources, we also strive to use as much certified green electricity as possible. We are particularly successful here in Germany, where the proportion of green electricity was increased from 40 % to 100 % between 2006 and 2013. According to NaturEnergie, more than 11,000 t of CO<sub>2</sub> were saved in 2012 and 2013 alone compared with the German Federal electricity mix. At the location in Stühlingen we also operate our own small hydroelectric power plant. Furthermore, we consistently strive to ensure the return of recyclable materials as well as waste disposal that is compatible with the material and environment.

### Range of products supports sustainability objectives

The core business of Sto is the manufacture of facade systems that contribute to significant savings in heating energy through the efficient insulation capacity of buildings. Hence, facade systems are not only an important growth driver for Sto, but also contribute noticeably to protecting the climate and the environment. The Sto systems, which have been installed

worldwide since 1965, resulted in savings of around 74 billion litres of heating oil up to and including 2013, with last year accounting for around 5 billion litres of this figure alone. The resulting reduction in CO<sub>2</sub> emissions totalled 230 million tonnes, including around 16 million tonnes in 2013.

In addition to contributing to climate protection, our facade systems protect people and buildings against extreme weather conditions that could occur more frequently in future as a result of climate change. Sto systems are designed to withstand rain, hail and storms. Our best-selling system, StoTherm Classic®, passed extensive simultaneous tests with distinction and was classified in the highest hail resistance class.



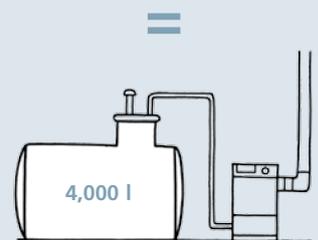
Even hailstones of this size cannot harm StoTherm Classic.

In addition to facade systems and facade coatings, our product range also includes products for interiors and concrete restoration as well as for floor coatings. For example, Sto has an ecologically-oriented product portfolio of paints, renders and coatings that mostly possess external environmental certification. This allows us to meet the growing need for more quality

## Thermal insulation helps to protect the environment

Energy savings from the use of Sto facade insulation systems correspond to around

### 74 billion litres of heating oil



x 18.5 million oil tanks



x 2.6 million tanker lorries



x 2,960 oil tankers

Between 1965 and 2013, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 74 billion litres of heating oil. This represents a notable contribution to global climate protection: the facade insulation systems from the Black Forest have cut CO<sub>2</sub> emissions by around 230 million tonnes. In 2013 alone, Sto products reduced emissions of this combustion gas by around 16 million tonnes.

Sto's ecological portfolio of interiors products meets the highest standards and promotes structurally sound living space.

of life as well as healthy living and to meet the highest demands for quality, health, environment, function and aesthetic appeal.



In the area of concrete restoration and floor coating, we offer products that can be used for the refurbishment of concrete buildings such as road bridges, sewage treatment plants or industrial flooring. Not only is the preservation of existing substance sustainable and resource-saving, but also the preservation of soil and water, which can be preserved effectively against leaking and seeping hazardous materials by the application of our products.

**Promoting the dissemination of sustainable technologies**

By selling our products and particularly facade systems, we are encouraging the development and dissemination of environmentally friendly technology – something that is entirely in the spirit of the “Global Compact”.<sup>6</sup> To raise awareness of the economic and ecological benefits of thermal insulation even further and create new horizons for applications, we are committed to participating in both national and international trade associations. For example, Sto SE & Co. KGaA is a member of the “European Association for External Thermal Insulation Composite

Systems” (EAE), Institut Bauen und Umwelt e.V. (IBU), natureplus e.V., IG Passivhaus Österreich, Fachverband Wärmedämmverbundsysteme (FV WDVS) and “Deutsche Gesellschaft für Nachhaltiges Bauen” (DGNB). In 2013, Sto also participated actively in hosting the international symposium for energy efficient architecture “tri donau” in Vienna as well as in the drafting of the guideline “Bauprodukte in der DGNB Zertifizierung” [Building Products in the German Sustainable Building Council certification]. This explains in a clear manner which criteria for building products within the scope of DGNB certification for buildings have to be considered and where they can be found.



Furthermore, we play an active role in the “Sustainability” working group of the German Paint and Printing Ink Industry Association (Verband der deutschen Lack- und Druckfarbenindustrie) as well as in the “Sustainable Building” working group of Deutsche Bauchemie. Its aim is to define and operationalise sustainability criteria, and to develop and promote corresponding standards, guidelines and tools on a joint level. A particular concern is also the international harmonisation of product standards and product information.

**Environmental certification of Sto products**

By participating in the “Task Force Sustainability” of the European Council of the Paint, Printing Ink and Artists’ Colour Industry (CEPE), we support a project that aims to develop a set of uniform principles governing environmental product declarations for lacquer paint. These internationally applicable EPD standards (EPD = Environmental Product Declarations) will

<sup>6</sup> UN Global Compact principle 9.

make product information more transparent and provide evidence for environmental effects in the form of relevant data.

Environmental declarations are an important tool for architects and planners who are involved in ecological building and who, in turn, seek certification for buildings in accordance with the DGNB guidelines or LEED for example. In 2013, Sto continued its activities in this area and compiled sample EPDs in collaboration with the appropriate associations.

We continuously promote the ratings our product range has achieved in relation to environmental aspects. Over the past few years, we have transferred, among other things, the procedure for drafting EPDs for individual products to the certification of complete thermal insulation composite systems in the form of so-called ESDs (Environmental System Declarations).



In addition, we consider it to be important that the quality and sustainability of as many Sto products and systems as possible are tested by independent bodies. In 2013, the StoTherm Mineral and StoTherm Mineral L systems, amongst other systems, were certified with the "Blue Angel", the oldest and worldwide very successful eco-label. With the "Blue Angel for climate protection" focus is placed on products that are particularly energy efficient and durable. The StoTherm Wood as well as several interior paints were recertified successfully with the very exclusive "natureplus" label. This seal is notable for its particularly high requirements with regard to health, environment and function.

### Distinctions for sustainability

Sto SE & Co. KGaA regularly receives awards for its commitment to sustainability (Sto AG up to and including fiscal year of 2013). In 2013, the Bundesarbeitskreis Altbauserneuerung [Federal Working Committee for the Renewal of Old Buildings] (BAKA) awarded the internal insulation system StoTherm In Aevero with the "Award for Product Innovation 2013". State Secretary, Rainer Bomba, presented the award to Günter Rudolph, Sto Product Manager for functional wall systems, at the BAU Leading Trade Fair for Architecture in Munich.

The "highly innovational character especially for the use in the refurbishment of existing buildings," impressed the jury. The heart of the diffusion-open, capillary-active and thermal insulation system is the aerogel insulating board. Thanks to its low thermal conductivity, even very thin insulation thicknesses are normally sufficient to achieve insulation values in compliance with EnEV.



The innovative internal insulation system StoTherm In Aevero has been awarded the Innovation Award by the Federal Working Committee for the Renewal of Old Buildings.

### Promoting social issues

Commitment to social issues also forms part of a long-standing tradition at Sto. We assume responsibility towards our employees as well as towards people outside our Group. A crucial sustainability objective is to offer all Sto employees a motivating and health-promoting working

environment. For this reason, we ensure safety at the workplace, offer numerous further training programs, take measures to improve reconciliation of family and working life and maintain a benevolent fund for employees of the Sto Group who have fallen on hard times due to reasons beyond their control. Thanks to extensive training activities, we create prospects for the younger generation and establish a pool of qualified specialists and managers for Sto. Furthermore, we are in the process of successively establishing a group-wide health management system. This initially began with measures at the previous Sto AG and present Sto SE & Co. KGaA as well as StoCretec GmbH.

Further information on our personnel strategy can be found in the employees section on pages 31 to 35.

versary: it has had EUR 350 K available per year since 2011 and will continue to do so up to and including 2015. These funds originate from returns on the Foundation's capital and from donations which are contributed on a regular basis by Sto SE & Co. KGaA and its ordinary shareholders.



The primary aim of the Sto Foundation is to support young people who are serving an apprenticeship in the painting, decorating and plastering trades or studying construction engineering or architecture at university. The third main focus in this area is on further training activities for these two groups, and the fourth is support for projects. A special aspect of the Sto Foundation is the consideration of social components in the area of funding for young craftsmen and students. Socially disadvantaged young people beginning apprenticeships under difficult conditions qualify for support in this context.

In the trade sector, the long-term project called "You have what it takes – show us" entered the next phase in 2013. This project promotes the best trade apprentices in Germany. The top 25 in the second incentive stage from the 100 painter trainees selected in the previous year from all over Germany were able to compete in an internal competition. To provide the best possible preparation for their exam, the prize was a training package consisting of specialist literature and a tablet computer.

Another important project are scholarships supporting talented young tradesman, who have successfully passed their apprenticeship examination. In a two-year further training course to become a certified paint technician, they can acquire a high-level qualification as well as an entitlement to study. The scholarship

Health check at Sto Ges.m.b.H.



### Sto-Stiftung (Sto Foundation)

Social responsibility for Sto does not end at the factory gates. On the contrary: Sto SE & Co. KGaA, all subsidiaries and many of our employees commit themselves to social issues in many ways. An important cornerstone of this is the non-profit **Sto Foundation** which we established to mark our company's fiftieth birthday in 2005, providing it with funding to the tune of EUR 1 million. Funding was significantly increased on the occasion of its five-year anni-

of the Sto Foundation that represents the second level of a four-level sponsorship, supported six young painters and varnishers in 2013. At the top level, a university degree is open to them in order to qualify as managers in the trade and industry.

In the promotional area Architecture, the activities of the Sto Foundation were shaped by the fact that one of the most important current tasks of universities is to make students in this field aware of the urgency of sustainability issues. International collaboration also plays a special role in the syllabus, since cross-border work helps them to broaden their own horizon. To support the German architectural faculties effectively in the international exchange of ideas, in 2013 the Sto Foundation held the "summer school competition" for the third time for internationally oriented courses on "Sustainability and energy-efficient construction methods".



The "Guga S'Thebe" cultural centre in Cape Town is among the award winners of the "summer school competition" sponsored by the Sto Foundation.

The award winners also included the project of a multifunctional hall in the cultural centre "Guga S'Thebe" in the township of Langa belonging to Cape Town. "Guga S'Thebe" has attracted young people and artists from the



These apprentices are able to concentrate on their technical studies thanks to a scholarship from the Sto Foundation.

neighbourhood as well as numerous tourists for many years. This is a unique opportunity for the residents to experience art, culture and enter an international dialogue. During the course of time, the work with children and young people, who are taught by local teachers and artists, has developed into a highlight. Owing to the success, the cultural centre has reached its limits in terms of space in recent years. Against this background, students of the Peter Behrens School of Architecture Düsseldorf, the RWTH Aachen University and the Georgia Institute of Technology Atlanta under the leadership of the South African architect Carin Smuts, have designed, planned and built a youth centre on site.

#### Other activities

In addition to the foundation activities, we also shown commitment in a wide variety of social areas again in 2013: numerous monetary donations and donations in kind were raised. This included lending their support at care facilities for the elderly, training institutes, homeless centres, sports clubs, and nature conservation projects.

One of the projects implemented in previous years, during which Sto trainees with expert support made an overgrown habitat accessible again on the company premises at the headquarters in Stühlingen, won the Respon-

sible-Care competition held by the German Chemical Industry Association Baden-Württemberg in 2013. The exemplary campaign received an award for having united sustainability, conservation and social responsibility.

### C. Objectives for the years to come

- **Improving climate protection and energy efficiency**

With its facade systems, Sto has contributed significantly to climate protection for more than four decades: Through the use of thermal insulation and the saving of heating energy, around 230 million tons of CO<sub>2</sub> have not even entered the atmosphere in the first place since 1965. In the future, we want to go one step further and pay even closer attention to energy efficiency when manufacturing our products with the long-term goal of climate-neutral production. The starting situation for this is favourable, since 100 % green electricity is already used in Germany, and in Austria (Sto Ges.m.b.H.) a pilot project of climate-neutral Sto products has been initiated: Through the purchase of humus certificates of the eco-region Kaindorf, Sto is compensating for the CO<sub>2</sub> emission generated from the production of three products. A group-wide CO<sub>2</sub> balance sheet is planned and will serve as the basis for further optimisations.

- **Expanding reporting**

To make the numerous Sto activities more public and to anchor them within public awareness, we will prepare the principles of our sustainability work as well as selected topics and make them available on the Internet. Thus, customers and interested members of the public will be able to inform comprehensively themselves about important and current issues at any time.

- **Making product information more transparent**

There is lots of information about how sustainable individual products are. However, this information is currently often scattered in numerous places and on many different types of data media. This ranges from environmental labels such as "natureplus", TÜV and the "Blue Angel" as well as environmental product declarations right through to technical data sheets. These information channels are used depending on in which context and for which target group information is needed. Not only can this be confusing, it also involves high costs. An important aspect therefore is pooling existing information and preparing it in a clearly arranged form. Sto is currently working on simplifying this information in an appropriate manner and will provide so-called "sustainability data sheets" in the future. In these data sheets, customers and all other interested parties will find important data on building certification systems, ecological and health issues.

Over and beyond these core issues, Sto will also continue or expand its activities in many other areas. We view sustainable development as a continuous optimisation process and integral part of all corporate units.

Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen  
**Consolidated annual financial statements  
of the Sto Group (IFRS)**

- Income statement
- Statement of recognised income and expenses
- Balance sheet
- Statement of changes in equity
- Cash flow statement
- Notes

## Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

### Consolidated income statement for 2013

	Notes	2013 EUR	2012 EUR K
1. Revenues	(1)	1,166,011,290.77	1,141,685
2. Changes in product inventories		-1,062,053.34	489
3. Other internally generated assets capitalised	(2)	116,150.69	383
<b>Total revenues</b>		<b>1,165,065,388.12</b>	<b>1,142,557</b>
4. Other operating income	(3)	25,834,834.69	21,752
5. Cost of material	(4)	-530,436,399.46	-528,405
6. Personnel expenditure	(5)	-296,982,636.78	-286,794
7. Other operating expenses	(6)	-234,580,941.03	-227,985
<b>EBITDA</b>		<b>128,900,245.54</b>	<b>121,125</b>
8. Depreciation and amortisation of intangible fixed assets as well as property, plant and equipment	(7)	-29,005,746.69	-25,868
<b>EBIT (Earnings before interest and taxes)</b>		<b>99,894,498.85</b>	<b>95,257</b>
9. Share in profits of associates	(8)	-2,354.70	-1,240
10. Interest and similar income	(9)	2,170,899.29	3,206
11. Interest and similar expenditure	(9)	-2,984,614.79	-3,510
12. Other financial income	(10)	42,886.36	877
13. Other borrowing costs	(10)	-24,176.57	-38
<b>EBT (Earnings before taxes)</b>		<b>99,097,138.44</b>	<b>94,552</b>
14. Taxes on income and earnings	(11)	-30,638,181.21	-29,117
<b>EAT (earnings after taxes)</b>		<b>68,458,957.23</b>	<b>65,435</b>
of which:			
share of minority interests		-400,004.66	325
share attributable to the shareholders of Sto AG		68,858,961.89	65,110
Earnings per share basic/diluted in EUR			
Ordinary share	(12)	10.69	10.11
Preference share	(12)	10.75	10.17

## Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

# Consolidated statement of recognised income and expenses 2013

	2013 EUR	2012 EUR K
<b>EAT (earnings after taxes)</b>	<b>68,458,957.23</b>	<b>65,435</b>
Cash flow hedges:		
changes to fair value recognised in equity	0.00	-23
transferred to the income statement	0.00	213
Deferred taxes	0.00	-54
<b>Cash flow hedges after taxes</b>	<b>0.00</b>	<b>136</b>
Currency translation:		
Currency translation differences	-3,402,328.56	1,312
Deferred taxes	0.00	0
<b>Currency translation differences after taxes</b>	<b>-3,402,328.56</b>	<b>1,312</b>
<b>Earnings to be reclassified in the income statement in future periods</b>	<b>-3,402,328.56</b>	<b>1,448</b>
Actuarial earnings:		
Actuarial gains or losses	4,890,861.76	-18,183
Deferred taxes	-1,389,115.82	5,191
<b>Earnings not to be reclassified in the income statement in future periods</b>	<b>3,501,745.94</b>	<b>-12,992</b>
<b>Other earnings after taxes</b>	<b>99,417.38</b>	<b>-11,544</b>
<b>Overall earnings after taxes</b>	<b>68,558,374.61</b>	<b>53,891</b>
of which:		
share of minority interests	-415,112.13	340
share attributable to the shareholders of Sto AG	68,973,486.74	53,551

For further explanations concerning equity, see Note (22).

## Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

# Consolidated balance sheet for the year ended 31 December 2013

Assets	Notes	31 Dec 2013 EUR	31 Dec 2012 EUR K
<b>A. Non-current assets</b>			
I. Intangible assets	(13)	41,874,992.53	44,381
II. Property, plant and equipment	(14)	218,662,983.47	210,670
III. Financial assets accounted for using the equity method	(15)	75,794.50	0
<b>Fixed assets</b>		<b>260,613,770.50</b>	<b>255,051</b>
IV. Non-current trade receivables	(17)	925,179.31	833
V. Non-current income tax receivables		2,114,582.79	2,759
VI. Non-current financial assets	(18)	1,701,762.69	4,531
VII. Other non-current assets	(19)	765,191.28	162
VIII. Deferred tax assets	(11)	9,179,032.26	9,934
<b>Other non-current assets</b>		<b>14,685,748.33</b>	<b>18,219</b>
<b>Total non-current assets</b>		<b>275,299,518.83</b>	<b>273,270</b>
<b>B. Current assets</b>			
I. Inventories	(16)	65,457,517.37	66,208
II. Current trade receivables	(17)	115,954,074.99	115,051
III. Current income tax receivables		2,521,386.98	3,657
IV. Current financial assets	(18)	129,043,074.50	120,378
V. Other current assets	(19)	8,135,724.48	8,736
VI. Cash and cash equivalents	(20)	103,944,402.29	94,777
		<b>425,056,180.61</b>	<b>408,807</b>
VII. Available-for-sale assets	(21)	2,113,695.60	2,172
<b>Total current assets</b>		<b>427,169,876.21</b>	<b>410,979</b>
<b>Total assets</b>		<b>702,469,395.04</b>	<b>684,249</b>

Liabilities	Notes	31 Dec 2013 EUR	31 Dec 2012 EUR K
<b>A. Equity</b>			
I. Subscribed capital	(22)	17,556,480.00	17,556
II. Capital reserves	(22)	57,649,040.41	57,649
III. Revenue reserves and other reserves	(22)	408,534,423.65	370,820
<b>Share attributable to the shareholders of Sto AG</b>		<b>483,739,944.06</b>	<b>446,025</b>
IV. Share of minority interests	(23)	1,430,037.91	2,769
<b>Total equity</b>		<b>485,169,981.97</b>	<b>448,794</b>
<b>B. Non-current provisions and liabilities</b>			
I. Provisions for post-employment benefits and similar liabilities	(24)	54,680,794.50	57,141
II. Deferred tax liabilities	(11)	1,500,501.40	1,791
III. Other non-current provisions	(25)	7,271,208.04	8,857
IV. Non-current borrowings	(26)	2,392,912.41	1,923
V. Non-current financial liabilities	(28)	134,334.88	97
VI. Other non-current liabilities	(29)	2,447.92	3
<b>Total non-current provisions and liabilities</b>		<b>65,982,199.15</b>	<b>69,812</b>
<b>C. Current provisions and liabilities</b>			
I. Other current provisions	(25)	31,672,829.89	37,819
II. Current borrowings	(26)	6,737,032.66	14,674
III. Trade payables	(27)	42,081,384.09	46,381
IV. Current income tax liabilities		5,803,771.15	3,218
V. Current financial liabilities	(28)	18,928,147.76	18,471
VI. Other current liabilities	(29)	46,094,048.37	45,080
<b>Total current provisions and liabilities</b>		<b>151,317,213.92</b>	<b>165,643</b>
<b>Total debt capital</b>		<b>217,299,413.07</b>	<b>235,455</b>
<b>Total assets</b>		<b>702,469,395.04</b>	<b>684,249</b>

## Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

### Statement of changes in equity as at 31 December 2013

in EUR K	Subscribed capital	Capital reserves	Equity attributable to the shares		
			Revenue reserves	Currency translation reserve	Reserve for pensions
<b>Status as at 1 January 2012</b>	<b>17,556</b>	<b>57,649</b>	<b>365,865</b>	<b>5,401</b>	<b>256</b>
EAT (earnings after taxes)	0	0	65,110	0	0
Other earnings (after taxes)	0	0	0	1,277	-12,973
Income and expenses recognised	0	0	65,110	1,277	-12,973
Dividend payout	0	0	-31,061	0	0
Transactions between shareholders	0	0	0	0	0
<b>Status as at 31 December 2012</b>	<b>17,556</b>	<b>57,649</b>	<b>399,914</b>	<b>6,678</b>	<b>-12,717</b>
<b>Status as at 1 January 2013</b>	<b>17,556</b>	<b>57,649</b>	<b>399,914</b>	<b>6,678</b>	<b>-12,717</b>
EAT (earnings after taxes)	0	0	68,859	0	0
Other earnings (after taxes)	0	0	0	-3,403	3,516
Income and expenses recognised	0	0	68,859	-3,403	3,516
Dividend payout	0	0	-31,061	0	0
Transactions between shareholders	0	0	-196	0	0
<b>Status as at 31 December 2013</b>	<b>17,556</b>	<b>57,649</b>	<b>437,516</b>	<b>3,275</b>	<b>-9,201</b>

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

of the parent company		Total	share of minority interests	Total Equity
Reserve for cash flow hedges	Treasury stock			
<b>-136</b>	<b>-23,055</b>	<b>423,536</b>	<b>2,429</b>	<b>425,965</b>
0	0	65,110	325	65,435
136	0	-11,560	15	-11,545
136	0	53,550	340	53,890
0	0	-31,061	0	-31,061
0	0	0	0	0
<b>0</b>	<b>-23,055</b>	<b>446,025</b>	<b>2,769</b>	<b>448,794</b>
<b>0</b>	<b>-23,055</b>	<b>446,025</b>	<b>2,769</b>	<b>448,794</b>
0	0	68,859	-400	68,459
0	0	113	-15	98
0	0	68,972	-415	68,557
0	0	-31,061	-179	-31,240
0	0	-196	-745	-941
<b>0</b>	<b>-23,055</b>	<b>483,740</b>	<b>1,430</b>	<b>485,170</b>

## Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

# Consolidated cash flow statement for 2013

in EUR K	Notes	2013	2012
<b>1. Cash flow from operating activities</b>			
Earnings before income taxes		99,097	94,553
Depreciation of non-current assets	(7)	29,006	25,868
Net profit/loss from disposal of non-current assets		-84	-142
Net profit/loss from the fair-value measurement of investments in associates	(15)	2	1,240
Net interest income/expense and other net finance income/expense	(9/10)	795	-569
Income taxes paid		-27,464	-32,315
Change in provisions		-5,482	-3,124
Change in net current assets		-14,957	-13,700
<b>Cash flow from operating activities</b>		<b>80,913</b>	<b>71,811</b>
<b>2. Cash flow from investment activities</b>			
Investment in property, plant and equipment and intangible assets	(13/14)	-30,548	-36,647
Payments for the acquisition of consolidated companies and other business fields (less acquired cash and cash equivalents)		-2,444	0
Disbursements for capital increase in joint ventures		0	-361
Payments received from other disposal of intangible assets and plant, property and equipment		725	790
Disbursements/deposits from the disposal of consolidated companies and other business units		0	-715
Interest payment received		1,843	2,816
Disbursements for financial investments		-132,762	-103,337
Deposits from financial investments		136,337	103,471
<b>Cash flow from investment activities</b>		<b>-26,849</b>	<b>-33,983</b>
<b>3. Cash flow from financing activities</b>			
Payments for the acquisition of minority interests		-941	0
Payments for non-current borrowings	(26)	-8,098	-12,586
Payments for current borrowings	(26)	-2,556	-1,764
Dividend distribution	(12)	-31,240	-31,061
Interest payments		-731	-912
<b>Cash flow from financing activities</b>		<b>-43,566</b>	<b>-46,323</b>
Change in cash and cash equivalents from changes in exchange rates		-1,331	661
<b>Cash and cash equivalents at beginning of period</b>	<b>(20)</b>	<b>94,777</b>	<b>102,611</b>
<b>Change in cash and cash equivalents</b>		<b>9,167</b>	<b>-7,834</b>
<b>Cash and cash equivalents at the end of period *</b>	<b>(20)</b>	<b>103,944</b>	<b>94,777</b>

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

The capital flow statement is explained in Note (31).

# Sto SE & Co. KGaA (until 26 March 2014 Sto AG), Stühlingen

## Notes to the consolidated financial statements

### as at 31 December 2013

#### General information

##### 1. Information on the company

Sto SE & Co. KGaA and its connected, dependent Group companies deals with the manufacturing and marketing of products, components as well as functional systems – energetic and other – which are used in and on buildings and consist of material components and/or coatings. Moreover, services aimed at maintaining the value of buildings form an integral part of the company's scope of product.

Sto SE & Co. KGaA emerged from the conversion of Sto Aktiengesellschaft, also referred to as Sto AG in the following. At the Annual General Meeting of Sto AG on 12 June 2013 the decision was taken in favour of a conversion to the legal form of KGaA with the accession of STO Management SE as personally liable partner. Following the termination a lawsuit regarding the legitimacy of the conversion resolution, the conversion was entered in the trade register of Amtsgericht Freiburg (Freiburg district court) pertaining to HRB 711236 on 26 March 2014 and has since been valid. The only shareholder of the personally liable partner STO Management SE is Stotmeister Beteiligungs GmbH, in which the Stotmeister families have bundled their assigned Sto SE & Co. KGaA limited ordinary shares (as was the case with Sto AG). In relation to the conditions at Sto AG, there have been no changes to the ownership of current limited ordinary shares or the ownership of the current limited preference shares.

Hence, Stotmeister Beteiligungs GmbH is still the majority shareholder and ultimate parent company of Sto SE & Co. KGaA.

The address of its registered offices is Ehrenbachstraße 1, 79780 Stühlingen,

Germany. Sto AG had been entered in the Commercial Register of the Local Court of Freiburg under number HRB 620675. Sto SE & Co. KGaA is a listed company, as had been Sto AG until 26 March 2014. Its limited preference shares are listed in the "Regulated Market" segment for official trading on the stock exchange operated by Deutsche Börse AG, Frankfurt/Main as well as Börse Stuttgart AG, Stuttgart. The other Group member 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 14 April 2014 by the personally liable partner STO Management SE and will be forwarded to the Supervisory Board of Sto SE & Co. KGaA on 16 April 2014 for approval at the Supervisory Board meeting on 25 April 2014.

In the following, the designation Sto AG is kept for indications for figures as at 31 December 2014 despite the conversion of Sto AG into Sto SE & Co. KGaA on 26 March 2014, since this had been the legal form as at 31 December 2013. All remarks extending beyond the fiscal year of 2013, the correct designation of Sto SE & Co. KGaA is used.

##### 2. Basis of preparation

Sto SE & Co. KGaA (until 26 March 2014 Sto AG) prepared its consolidated financial statement for the 2013 fiscal year 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 according to Section 315 a of the HGB were also applied.

All standards and interpretations subject to compulsory application in fiscal 2013 were observed.

The reporting standards to be applied since 1 January 2013 mainly affect IAS 1 regarding the presentation of financial statements as well as IAS 19 regarding employee benefits on the balance sheet and IFRS 13 on fair value measurement.

The modified IAS 1 lead to a revised presentation of the statement of recognised income and expenses. After the modification of the standard the presentation of the items of other earnings are now separated into items that are never transferred to the income statement (not reclassifiable) and items are reclassified to the income statement in case of certain conditions (reclassifiable). In addition, the corresponding tax effects have to be assigned to both groups. The Group has adapted the statement of recognised income and expenses in the consolidated annual financial statement of the Group accordingly. The other changes to IAS 1 have no influence on the presentation of the net assets, financial condition and result of operations.

Due to the changes to IAS 19 (revised in 2011) accounting for employee benefits and for performance-oriented pension plans has been adapted. Note (24) in the appendix accounts for more detailed information. For the consolidated annual financial statement of the Group this does not result in major changes regarding net assets, financial condition and result of operations. This did also not result in changes to indications of the previous year.

From 1 January 2012 negative past service costs and curtailments in connection with the application of the revised IAS 19 are carried at that point in time when the plan is adapted. On 1 January 2012 there had not been any negative past service costs and curtailments.

A further change requires that earnings from plan assets be carried no longer based on the actual portfolio structure but on the discount rate of the defined-benefit liabilities.

The accounting of top-up amounts from partial retirement plans has changed. These are no longer recognised as benefits due to termination of employment but as other non-current (or current) employee benefits, for which provisions must be made over the entire entitlement period from the date the obligation arises. Thus, the top-up amounts are no longer considered one-time provisions. There has been no impact on the consolidated annual financial statement of the Group for the fiscal year of 2013 nor for the previous year.

IAS 19 was applied with retrospective effect utilising the following facilitation:

No sensitivity indications regarding defined-benefit liabilities for the previous year are included in the appendix.

The change-over has no impact on the cash flow statement and diluted and basic earnings per share of the Group.

From 1 January 2013 the IFRS 13 "Fair Value Measurement", which defines standardised regulations for measuring the fair value, will be used. IFRS 13 does not regulate the questions when assets and liabilities are to be measured at fair value, but only how to measure the fair value correctly under IFRS. IFRS 13 defines the fair value as exit price. Due to the IFRS 13 guidelines the Group has checked its accounting methods used to measure the fair value, in particular input parameters such as non-performance risks regarding the determination of the fair value of liabilities. IFRS 13 also defines further stipulated disclosures. The application of IFRS 13 has not major impact

on the measurement of the fair value in the Group.

According to IFRS 13 the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value it is assumed that the transaction during which the sale of the asset or the transfer of the liability, either takes place at:

- the main market for the asset or the liability or
- the most advantageous market for the asset or the liability, if there is no main market.

The Group must have access to the main market or to the most advantageous market. The fair value of an asset or a liability is measured based on the assumptions that market participants would employ for pricing the asset or the liability. It is assumed that the market participants act in their best economic interest.

When measuring the fair value of an asset, what is taken into account is the ability of the market participant to generate an economic benefit through the highest and best use of an asset or through selling it to another market participant who finds the highest and best use for the asset.

The Group employs measurement techniques that are appropriate for the specific circumstances and for which enough data is available to measure the fair value. Here the use of significant, observable input factors is to be kept at a maximum and that of non-observable input factors at a minimum. The counterparty credit risk as well as Sto's own credit risk are taken into consideration.

All assets and liabilities for which the fair value is measured or that is accounted for in the

financial statement, are classified in the following fair value hierarchy, based on the input parameter of the lowest level which is essential for measuring the fair value overall:

- Level 1 – quoted (not adjusted) prices in active markets for identical assets or liabilities.
- Level 2 – measurement methods, where the input parameter of the lowest level, that is essential for measuring the fair value overall, is observable on the market either directly or indirectly.
- Level 3 – measurement methods, where the input parameter of the lowest level, that is essential for measuring the fair value overall, is not observable on the market.

In case of assets and liabilities recognised in the financial statement on a recurring basis, the Group determines whether reclassifications within the hierarchy levels have taken place by checking the classification at the end of each reporting period (based on the input parameters of the lowest level significant to the entire measurement of the fair value).

In order to meet the stipulations regarding the disclosures of fair values the Group has defined asset and liability groups based on their type, their properties and their risks as well as on the levels of the above-listed fair value hierarchy.

The fair value of financial instruments traded in organised markets is determined by the market price listed on the balance sheet date. The fair value of financial instruments for which there is no active market is measured by using valuation methods. These valuation techniques include recent arms-length transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

As part of the improvements of IFRS 2009-2011 IAS 16 clarifies that servicing equipment and large replacement parts are to be classified as property, plant and equipment if they meet the definition of a property, plant or equipment. In this case, recognition under inventory is not possible. This clarification has no impact on the Group.

The amendments of **IAS 32 and IFRS 7** were published in December 2011 and applied for the first time in the past fiscal year. The amendments are intended to fix existing inconsistencies by supplementing the application guidelines. The existing basic regulations on offsetting financial instruments are maintained however. The amendments also contain supplementary information. The changes do not affect the Group.

The amendments of **IAS 36** were published in May 2013 and is applied for the first time in the past fiscal year on a voluntary basis. This amendment is to eliminate undesirable consequential effects on the stipulated disclosure resulting from the introduction of IFRS 13. Furthermore, this amendment requires indications of the recoverable amount for assets or cash-generating units for which a value adjustment was recorded or reversed in the reporting period. It is applied with retrospective effect.

The other accounting regulations that became applicable for the first time in the fiscal year of 2013 have no appreciable impact on the presentation of the asset situation, financial position or earnings in the consolidated annual financial statement of the Group.

Under Section 315a of the German Commercial Code, Sto SE & Co. KGaA is required to prepare its consolidated financial statements in accordance with the standards issued by the International Accounting Standards Board

(IASB) in the form endorsed by the European Union. In addition to the disclosures stipulated by IFRS, these financial statements also include disclosures and explanations required by German commercial law.

The consolidated financial statements provide a true and fair view of the Group's net assets, financial condition and results of operations. This entails a true and fair description of the effects of the Group's business transactions as well as of other events and conditions in accordance with the definitions and criteria contained in the IFRS framework for recognising assets, liabilities, revenues and expenses.

The current/non-current distinction is observed in the recognition of assets and liabilities. The income statement was prepared using the total cost method. Sto's fiscal year is identical to the calendar year. The consolidated financial statements were prepared in euros.

### **3. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) which have been published but are not yet of mandatory application**

In November 2009 and October 2010, the standard **IFRS 9** "Classification and measurement" was published and supplemented. First time application is still open. The standard comprises new rules and regulations on the classification and measurement of financial assets and financial liabilities. According to the standard, debt instruments – depending on their respective characteristics and taking account the business model – are to be recognised either at amortised costs of acquisition or at fair value through profit or loss. Equity instrument must always be entered in the balance sheet at fair value. However, due to the instrument-specific optional selection, fluctuations in value of equity instruments may be recognised under other earnings. In this

event, only certain dividend income would be recognised through profit or loss with respect to equity instruments. Exception: financial assets held for trading and which are required to be measured at fair value through profit or loss. For financial liabilities, the standard provides for existing classification and valuation rules to be retained subject to the following exceptions: impacts of modifying own credit risk in the case of financial liabilities classified at fair value through profit or loss are required to be recognised as having no impact on profit or loss, and derivative liabilities on non-listed equity instruments may no longer be recognised at amortised cost. The standard provides for retrospective application in principle and has not yet been adopted in European law. The new standard is not expected have a substantial effect on the measurement of financial assets within the Sto Group.

**IFRS 10** "Consolidated financial statements" was published in May 2011 and is to be applied for the first time in the fiscal year beginning on or after 1 January 2014. The new standard replaces the regulations of the former IAS 27 "Consolidated and separate financial statements for group accounting" and interpretation SIC-12 "Consolidation – special purpose entities". IFRS 10 sets forth a uniform control concept applicable to all companies, including special purpose companies. In June 2012, also the revised transitional regulations referring to IFRS 10-12 were published, which are to provide assistance with the initial application of the new standards. In comparison to the previous legal climate, the amendments introduced with IFRS 10 require a considerable degree of management discretion in evaluating the question of which companies should exercise control within the group and whether it is therefore required to include them in the consolidated annual financial statement by way of full consolidation. The standard's initial application

in 2014 will have no impact on the current companies consolidated.

**IFRS 11** "Joint arrangements" was also published in May 2011 and is to be applied for the first time in the fiscal year beginning on or after 1 January 2014. The standard replaces IAS 31 "Interest in joint ventures" as well as interpretation SIC 13 "Jointly controlled entities – non-monetary contributions by venturers". IFRS 11 eliminates the hitherto existing possibility of proportional consolidation for joint ventures. Such companies are now accounted for at equity in the consolidated annual financial statement. The standard's initial application in 2014 will have no impact on the current companies consolidated.

**IFRS 12** "Disclosure of interests in other entities" was published in May 2011 and is to be applied for the first time in the fiscal year beginning on or after 1 January 2014. The standard uniformly regulates the stipulated disclosures for Group accounting and consolidates the required disclosures for interests in subsidiaries, which were previously regulated by IAS 27, the disclosures for jointly controlled and associated companies, which have so far been placed in IAS 31 and IAS 28, as well as the disclosures for structured companies. Since the new standard formulates new disclosure requirements in addition to the previous explanation duties, the Group disclosures concerning this consolidation of companies will be more comprehensive in the future.

The improvements of **IFRS 2010-2012** represent a collective standard, which was published in December 2013 and deals with adaptations of various IFRS applicable to the fiscal years beginning on or after 1 January 2014. The following adaptations have not yet been applied by the Group:

- IFRS 2: Clarification of the definition of 'vesting condition' and separate definitions for 'performance condition' and 'service condition'.
- IFRS 3: Clarification of the classification and measurement of a contingent consideration in a business combination. The classification of the obligation to pay a contingent consideration as a liability or as equity is solely based on the regulations in IAS 32.11. A contingent consideration must be measured at fair value with an impact on profit and loss.
- IFRS 8: Information on the aggregation of operating segments and reconciliation of the total of the segments' assets to the entity's assets.
- IFRS 13: Explanation on the amendments to IFRS 9 with regard to the measurement of non-current receivables and liabilities following the issuing of IFRS 13.
- IAS 16: Amendment to the handling of accumulated depreciation when applying the revaluation method.
- IAS 24: Clarification that an entity providing key planning, management and supervisory personnel services (external management in key positions) to the reporting entity is a related party of the reporting entity as defined in IAS 24, and adoption of a simplification regulation regarding indications on these management services through the external entity and the remuneration paid to its employees.
- IAS 38: Amendments to the handling of accumulated depreciation when applying the revaluation method.

Implementation of the improvements of **IFRS 2010-2012** is not expected to have substantial effects on the net assets, financial position and earnings situation of the Group.

The improvements of **IFRS 2011-2013** represent a collective standard, which was published

in December 2013 and deals with adaptations of various IFRS binding for the fiscal years beginning on or after 1 January 2014. The following adaptations have not yet been applied by the Group:

- IFRS 1: Clarification which issue of the standard and interpretations must or can be employed by a company as part of the first-time application of IFRS.
- IFRS 3: Clarification that IFRS 3 excludes from its scope the formation of joint arrangements.
- IFRS 13: Clarifying the scope of the portfolio measurement in accordance with IFRS 13.48 ff.
- IAS 40: Clarifying the employment of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Implementation of the improvements of IFRS 2011-2013 is not expected to have substantial effects on the net assets, financial position and earnings situation of the Group.

The following new rules and regulations are not applicable to the Sto Group and will therefore have no effects on the Group's net assets, financial position and earnings situation:

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"
- Revised IAS 27 "Separate financial statements"
- Revised IAS 28 "Investments in associates and joint ventures"
- IFRIC 20 "Stripping costs in the production phase of a surface mine"
- Amendments to IAS 39 and IFRS 9 with regard to hedge accounting
- Amendments to IAS 19 – Employee contributions
- IFRIC Interpretation 21 "Levies"

#### 4. Companies consolidated

The consolidated financial statement include Sto SE & Co. KGaA as well as the domestic and non-domestic subsidiaries on which Sto SE & Co. KGaA is able to exercise a controlling influence as defined in IAS 27. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated for the first time upon the control being acquired, this generally being assumed to be the case with a share of 50 % or more.

With effect from 1 January 2012, STOMIX Bratislava s.r.o., Bratislava/Slovakia and STOMIX Kosice s.r.o., Kosice/Slovakia merged with STOMIX Slovensko s.r.o., Zvolen/Slovakia.

Also with effect from 1 January 2012, STOMIX CZ s.r.o., Olomouc/Czech Republic, merged with STOMIX spol s.r.o., Skorosice/Czech Republic.

With effect from 23 January 2012, Sto AG initially raised the capital of Inotec GmbH, Waldshut-Tiengen, by EUR 601 K. Within the scope of another capital increase of EUR 361 K subscribed by Sto AG, a new associate joined Inotec GmbH with a capital share of 45 %. As a consequence, Sto AG no longer held a controlling influence and a joint venture was founded.

Inotec GmbH was then deconsolidated and recognised as joint venture in the consolidated annual financial statement of the Sto Group. The total assets of Inotec GmbH in the Group's total assets amounted to EUR 3,559 K at the date of deconsolidation. The assets side included EUR 524 K of assets, EUR 1,664 K of inventory, EUR 591 K of trade receivables, EUR 65 K of other assets as well as EUR 715 K of cash and cash equivalents. The liabilities side included EUR 123 K of provisions, EUR 2,617 K

of borrowings, EUR 655 K of trade payables as well as EUR 214 K of other liabilities. Deconsolidation yielded income of EUR 877 K, which is included in other financial income.

In the second half of 2012, the Sto AG founded Sto Yapi Sistemleri Sanayi ve Ticaret Anonim Sirketi, Istanbul/Turkey and Innolation S.A.S., La Chapelle la Reine/France. Innolation S.A.S., La Chapelle la Reine/France did not yet have any active business operations in 2012.

During the last fiscal year, the companies consolidated changed as follows:

At the beginning of February 2013, 100 % of shares and voting rights in Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG, Eichstätt, and Neumeyer & Brigl GmbH, Eichstätt, were acquired. With the acquisition, JMA Jura Marmor Abbau GmbH Verwaltungsgesellschaft, Eichstätt, and JMA Jura Marmor Abbau GmbH & Co. KG, Eichstätt, were included in the Group as associated companies. Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG is a leading manufacturer of facade and floor slabs made of limestone. The company complements the activities of the Sto subsidiary Hemm Stone GmbH, Kirchheim. Thin natural stone slabs are used as cladding for ventilated rainscreen and insulated facades, thus ideally complementing the Sto product range and Group competence.

The fair values of identifiable assets and liabilities of the Neumeyer & Brigl companies at the time of acquisition are shown in the following:

in EUR K	Fair value as at the time of acquisition
Intangible assets and property, plant and equipment	4,543
Investments in associates	68
Inventories	912
Trade receivables	1,277
Other receivables and financial assets	155
Cash and cash equivalents	556
<b>Total assets</b>	<b>7,511</b>
Other provisions	180
None-current payables to banks	3,188
Deferred tax liabilities	20
Trade payables	698
Other liabilities	425
<b>Total liabilities</b>	<b>4,511</b>
<b>Total identifiable net assets at fair value</b>	<b>3,000</b>
Goodwill from corporate acquisition	0
<b>Total consideration</b>	<b>3,000</b>

Transaction-related costs to the amount of EUR 108 K were included in other operating expenses.

On the reference date in 2013, 63 people were employed in the Neumeyer & Brigl companies. Turnover was at EUR 7.5 million, net profit for the year was at around EUR 0.7 million before taxes.

The net amount of the receivables corresponds to the fair values thereof. Adjustments of EUR 91 K were taken into account.

Deferred tax liabilities mainly include impact on accounting of the customer base and the differ-

ent measurement of tangible fixed assets in the area of buildings and natural resources.

Cash outflow due to corporate acquisition is as follows:

in EUR K	Cash outflow due to corporate acquisition
Transaction costs of corporate acquisition (contained in the cash flow from operating activity)	-108
Cash and cash equivalents acquired with the subsidiary (contained in the cash flows from investment activity)	556
Outflow of cash and cash equivalents	-3,000
<b>Actual cash outflow due to corporate acquisition</b>	<b>-2,552</b>

In December 2013 the inactive OOO STOMIX Export, Ore/Russia was liquidated. The total assets of the company amounted to EUR 2 K at the date of deconsolidation. Deconsolidation yielded income of EUR 0.4 K.

With effect from 31 December 2013 the Sto Group acquired the remaining 40 % of Industrial y Comercial Sto Chile Ltda., Santiago de Chile/Chile as part of a transaction between the associates. Cash consideration amounting to EUR 941 K was paid to the holders of shares without a controlling influence. The difference between the consideration and the proportion of the equity accounted for by the shares acquired, amounting to EUR 196 K, was recorded in equity of the Sto AG shareholders under revenue reserves.

After the balance sheet date, the companies consolidated changed as follows:

At the beginning of January 2014, 100 % of the equity shares as well as the voting rights to Argamont Revestimentos e Argamassas Ltda.,

Itaquaquecetuba/Sao Paulo, Brazil (Argamont Ltda.) were acquired by Sto Corp., USA.

The acquired company produces and distributes render systems. The head offices of the company, which had been family-owned at the date of acquisition, are located in the metropolitan area of Sao Paulo, the largest city in Brazil and the world's seventh largest urban agglomeration. At the point of acquisition Argamont Ltda. had been employing 58 people. The turnover in 2013 amounted to EUR 4.5 million, with an expected net profit for the year of around EUR 1.4 million. With the acquisition of this company, the Sto Group has entered the world's sixth largest national economy.

The preliminary fair values of identifiable assets and liabilities of the company at the time of acquisition are shown as follows:

in EUR K	Fair value as at the time of acquisition
Intangible assets and property, plant and equipment	3,073
Inventories	220
Trade receivables	359
Other receivables and financial assets	56
Cash and cash equivalents	371
<b>Total assets</b>	<b>4,079</b>
Provisions	185
Trade payables	87
Borrowings	37
Other liabilities	184
<b>Total liabilities</b>	<b>493</b>
<b>Total identifiable net assets at fair value</b>	<b>3,586</b>
Goodwill from corporate acquisition/ assets to be identified	3,374
<b>Total consideration</b>	<b>6,960</b>

Allocation of the purchase price has not yet been completed. The final purchasing price depends on the net profit for the year of 2013 as well as on the warranty claims within the next few years and lies between EUR 5.7 million and EUR 7.0 million. A payment of EUR 4.2 million was due upon conclusion of the contract. Another EUR 1.5 million are to be paid until 30 June 2019 in biannual instalments plus interest. The payment of EUR 1.2 million is connected to the net profit for the year of 2013 as well as to future warranty claims. The Group assumes a total purchasing price of EUR 7.0 million.

The date of initial consolidation is the date of acquisition of control at the beginning of January 2014.

The preliminary difference between the identified net assets and the consideration is made up of the values for the customer base, the brand as well as the remaining goodwill, which still need to be determined exactly. Transaction-related costs to the amount of EUR 201 K were included in other operating expenses.

The net amount of the receivables corresponds to the fair value thereof. Adjustments of EUR 62 K were taken into account.

Cash outflow due to corporate acquisition is as follows:

in EUR K	Cash outflow due to corporate acquisition
Transaction costs of corporate acquisition (contained in the cash flow from operating activity)	-201
Cash and cash equivalents acquired with the subsidiary (contained in the cash flows from investment activity)	371
Cash outflow	-6,960
<b>Actual cash outflow due to corporate acquisition</b>	<b>-6,790</b>

In connection with the acquisition of Argamont Ltda., Sto Brasil Revestimentos Participacoes Ltda., Itaquaquecetuba/Brazil was founded at the beginning of January 2014. It is so act as a Brazilian holding company.

The companies consolidated are disclosed in Note (40) List of subsidiaries and investments.

The following fully-consolidated affiliated German companies organised as limited-liability entities or as partnerships satisfied the conditions set out in Section 264 (3) and/or Section 264b of the German Commercial Code and come under the exemption rules:

- StoCretec GmbH, Kriftel
- Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim
- Gefro Verwaltungs-GmbH & Co. KG, Stühlingen
- StoVerotec GmbH, Lauingen
- Hemm Stone GmbH, Kirchheim
- Malfa Farben GmbH, Freiburg
- Innolation GmbH, Lauingen
- Neumeyer & Brigl GmbH & Co. KG, Eichstätt

### 5. Consolidation principles

The assets and liabilities of the domestic and non-domestic companies included in the consolidated financial statements are recognised and measured in accordance with the uniform accounting methods applied by the Sto Group.

In case of financial assets measured using the equity method we apply the same accounting and valuation policies for determining the proportionate equity as for the fully consolidated companies.

When subsidiaries are consolidated for the first time, their assets, liabilities and contingent liabilities are measured at their fair value as of the date of acquisition. If the price paid for the

investment exceeds the identified assets, liabilities and contingent liabilities, this difference is accounted for as goodwill. Such goodwill is submitted to testing at least once a year to determine any impairment in its value (impairment-only approach). If any impairment in the value of the goodwill is established, the corresponding impairment is recognised accordingly.

Receivables and liabilities as well as expenses and income between consolidated companies are netted. Intragroup balances and transactions are eliminated from Group inventories and assets. Deferred taxes are recognised on consolidation transactions recognised through profit or loss.

### 6. Presentation of material accounting and valuation policies

The consolidated financial statements are generally prepared according to the cost of acquisition principle, except for derivatives, financial instruments available for sale as well as assets recognised at fair value through profit or loss. In principle, these are measured at fair values. The consolidated financial statements are prepared in euros. Unless otherwise indicated, all values are rounded up or down in line with commercial usage to one thousand euros (EUR K).

The material accounting and valuation policies applied in preparing the consolidated financial statements are as follows:

#### Currency translation

Monetary items in foreign currency (in particular, cash and cash equivalents, receivables and liabilities) are translated for the first time 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 carried at historical cost of acquisition or production and denominated in a foreign currency are

reported using the exchange rate at the date of the transaction.

The financial statements of the consolidated companies prepared in a foreign currency are translated in accordance with the functional currency principle using the modified closing rate method in accordance with IAS 21.

The functional currency is defined as the national currency in question as the companies

perform their business independently in financial, economic and organisational terms.

Assets and liabilities are translated at the closing rate and expenses and income at annual average rates. Equity capital is translated at historic rates. Any resultant currency translation differences are recognised separately under equity until such time as the subsidiary in question is deconsolidated.

The exchange rates used for currency translation are set out in the following table:

	EUR 1 =	Closing rate on		Average annual rate	
		31 Dec 2013	31 Dec 2012	2013	2012
Chile	CLP	724.4884	631.2020	661.7993	632.3112
Denmark	DKK	7.4593	7.4610	7.4579	7.4437
Great Britain	GBP	0.8337	0.8161	0.8493	0.8109
Malaysia	MYR	4.5221	4.0347	4.1855	3.9672
Norway	NOK	8.3630	7.3483	7.8067	7.4751
Poland	PLN	4.1472	4.0882	4.1975	4.1847
Russia	RUB	44.9699	40.2286	42.3370	39.9262
Sweden	SEK	8.8591	8.5820	8.6515	8.7041
Switzerland	CHF	1.2276	1.2072	1.2311	1.2053
Singapore	SGD	1.7414	1.6111	1.6619	1.6055
Czech Republic	CZK	27.4250	25.1400	25.9800	25.1490
Turkey	TRY	2.9605	2.3551	2.5335	2.3135
Hungary	HUF	297.0400	292.3000	296.8700	289.2500
USA	USD	1.3791	1.3194	1.3281	1.2848
People's Republic of China	CNY	8.3491	8.2207	8.1646	8.1052
Columbia	COP	2,655.1243	2,329.4361	2,488.7564	2,337.7409
Mexico	MXN	18.0731	17.1845	16.9641	16.9029
Panama	PAB	1.3767	1.3183	1.3292	1.1993

**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. In the course of each corporate merger, the purchaser acquires the shares of minority interests of the acquired company, either at fair value or at the corresponding share of the identifiable net assets of the company acquired. Costs incurred within the scope of the business combination are recognised as expenses and reported as administrative costs.

If the Sto Group acquires a company, it will assess the suitable classification and designation of financial assets and liabilities in accordance with the contractual terms and conditions, commercial circumstances and conditions prevailing at the time of acquisition. This also includes a separation of derivatives embedded in underlying contracts.

In the case of successive corporate acquisitions, the equity share previously held by the purchaser in the company acquired is remeasured at fair value at the time of acquisition and the result is recognised through profit or loss. The agreed contingent consideration is recognised at fair value at the time of acquisition. In accordance with IAS 39, any subsequent changes to the fair value of contingent consideration representing an asset or a liability are either recognised in the income statement or in other net income. Contingent consideration classified as equity is not remeasured, and its settlement at a later date is accounted for in equity.

Goodwill is measured at cost of acquisition on first-time recognition, calculated at the surplus of the total consideration transferred and the

amount of the share without a controlling influence on the Group's assets acquired and liabilities assumed. If such consideration is below the fair value of the net assets of the subsidiary acquired, then the difference is recognised with an impact on profit in equity.

**Intangible assets**

Intangible assets with a certain useful life acquired for good consideration are recognised at historical cost. Amortisation expense is calculated on a straight-line basis over the useful life of the assets in the absence of any impairment. This primarily comprises software, which is assumed to have a scheduled useful life of between three and eight years.

Non-scheduled depreciation/amortisation are explained under Note (7).

Goodwill is not subject to systematic amortisation. Instead, it is submitted to regular impairment testing ("impairment-only approach"). It is determined on an annual basis whether goodwill has been impaired. Basically, the value in use or the higher net realisable amount of the respective cash-generating unit as at 31 December 2013 was determined to be the recoverable amount. This recoverable amount is compared with the carrying amount of the respective cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. With the exception of Sto AG the cash-generating units (CGUs) identified for purposes of calculating goodwill are identical to the legal entities. The Sto AG CGU comprises Sto AG, StoVerotec GmbH, and StoCretec GmbH.

If goodwill is found to be impaired, its value is adjusted accordingly. If the impairment is greater than the value of the goodwill, the excess

amount is distributed across the assets of the cash generating unit and adjusted accordingly.

The starting point is the current corporate planning of the respective legal entities at 31 December 2013. This is based on forecasts derived from external estimates of the economic situation and market studies as well as internal maintenance investment plans. The moderate growth rates in sales implemented in particular at CGU Sto AG during the detailed planning period are based on expectations that the level of demand for thermal insulation will continue to grow in future. In the light of gross profit margin trends in the years prior to the commencement of the budget period, we expect the gross profit margins of all CGUs to remain unchanged. The weighted average capital costs (WACC) before taxes are determined by taking account of a risk-free basic interest rate, entrepreneurial risk (market risk premium multiplied by a beta factor calculated on the basis of a peer group analysis), a growth discount in perpetual annuity and borrowing costs. As a matter of principle, cash flows are discounted using a uniform Group interest rate which is adjusted to allow for any differences in the base interest rates of the individual currencies. In the year under review, pre-tax interest rates of between 9.0 % and 12.1 % (previous year: between 7.3 % and 11.8 %) were applied to the corporate planning period (five years). As in the previous year, the perpetual annuity is based on a growth rate of 1.0 %.

The following material assumptions were made with regard to the key CGUs Sto AG and Beissier S.A.S., La Chapelle La Reine/France:

- Pre-tax interest rates: For CGU Sto AG 10.5 % (previous year: 10.2 %) and CGU Beissier S.A.S. 11.3 % (previous year: 9.7 %).
- Perpetual annuity: As in the previous year, the perpetual annuity is based on a growth rate of 1.0 % for both CGUs.

- Turnover trend: Due to the growing sales potential in the markets of the two CGUs, turnover growth is assumed to be a single-digit percentage.
- Margin changes: Owing to a further surge in procurement prices, slightly declining margins are assumed to apply to the Beissier S.A.S. CGU and stable margins to apply to the Sto AG CGU.

In the case of the cash-generating units Sto Italia Srl, Empoli/Italy and STOMIX spol. s r.o., Skorosice/Czech Republic, goodwill of both companies was entirely written off for calculating the values in use. The crucial factors for these adjustments was a poorer development of the result in 2013, a worse forecast for the detail planning period for the next 5 years as well as a higher discount rate at STOMIX spol. s r.o. of 11.0 % (previous year: 9.9 %). The value adjustment for Sto Italia Srl amounted to EUR 1.4 million. At STOMIX spol. s r.o. impairment of goodwill amounted to EUR 0.1 million and impairment of intangible assets to EUR 0.8 million.

The value in use on the balance sheet date amounted to EUR 5.4 million for Sto Italia Srl and EUR 6.2 million for STOMIX spol. s r.o.

If the discount rates used for the other impairment testing had been 1.0 % higher, this would have had no effect on the impairment of goodwill.

The essential goodwill items are listed in Note (13). Goodwill items in existence at the time of the changeover to IFRS are maintained in the Group's currency in accordance with the relief provided by IFRS 1.

The sensitivity analysis for the Sto AG CGU and the Beissier S.A.S. CGU, La Chapelle la Reine/France, revealed that even if the EBIT had been

30 % below the target for a sustained period, goodwill would not have had to be impaired.

Research and development costs were taken to the income statement since capitalisation of the development costs in the form of internally generated intangible assets is not possible under IAS 38 where the requirements have not been met. The Research and Development department focuses on the identification of alternative materials, products and procedures.

#### **Property, plant and equipment**

Property, plant and equipment are recognised at historical cost less cumulative systematic depreciation and cumulative impairment losses.

The cost of acquiring property, plant and equipment comprises the purchase price including import duties and non-refundable purchase taxes as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed items of property, plant and equipment comprises the expenditure incurred in utilising goods and services for such construction. In addition to the directly attributable costs, this also includes a reasonable share of the necessary overheads.

Depreciations are calculated on a straight-line basis using the following estimated useful lives:

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

The useful life and residual carrying amounts are audited regularly.

Maintenance and small repairs are recognised immediately through profit and loss.

Building systems are assigned to property, plant and equipment and are recognised at their procurement and production costs. Assets under construction are recognised at historical cost under property, plant and equipment. They are not depreciated until such time as they become available for operation.

#### **Borrowing costs**

Borrowing costs capable of being directly assigned to the acquisition, construction or manufacture of 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. Debt capital costs are interest and other costs incurred by an entity in connection with taking on debt capital.

Borrowing costs for all qualified assets for which construction began on or after 1 January 2009 are required to be capitalised. The Group did not hold any qualifying assets for the direct allocation of borrowing costs. Only an insignificant proportion of the annual general borrowing costs of the Group cannot be directly allocated.

#### **Leases**

The assessment as to whether a contract includes a lease is made at the time of contracting on the basis of the economic content of the contract and calls for an evaluation as to whether settlement of the contractual agreement is dependent on the use of a certain asset or certain assets and whether the contact

grants a right to use the asset, even if this is not explicitly stipulated in the contract.

Leased property, plant and equipment satisfy the conditions for classification as finance leases in accordance with IAS 17 provided that all the risks and rewards incidental to ownership of these assets are transferred to the Group company in question. In this case, the assets in question are recognised at the lower of the present value of the minimum lease payments or the fair value of the assets in question and are depreciated on a straight-line basis over their useful lives. The obligations arising from future lease payments are discounted and recognised as liabilities.

In the case of operating leases, the lease payments are recognised directly in the income statement on a straight-line basis for the duration of the lease.

#### **Impairment of assets**

Property, plant and equipment and intangible assets are tested for any impairment whenever any events or changes in circumstances indicate that their carrying amount may no longer be recoverable. If, in the case of property, plant and equipment and intangible assets initially recognised at cost, the carrying amount exceeds its recoverable amount, the difference is recognised as an impairment loss in the income statement. The recoverable amount is the higher amount of fair value less cost of sale and the value in use.

The fair value less cost of sale is the amount which can be recovered from the sale of the asset under normal market conditions, whereas the value in use is the present value of the estimated future cash flows expected from the continued use of an asset and its disposal at the end of its useful life. The recoverable amount is either estimated for an individual asset or,

if it does not generate any cash flows independently from other assets, for the cash-generating unit in total.

If the indication that an asset is impaired no longer exists or the impairment has decreased, the impairment loss is reversed and the proceeds taken to the income statement. No reversal is made to an impairment of goodwill.

#### **Financial assets accounted for using the equity method**

Financial assets accounted for using the equity method relate to a joint venture and associated companies. An associate is an entity over which the Group has decisive control. In case of a joint venture there is a contractual agreement regarding the joint control of the company. Using the equity method, the shares are accounted for at their cost of acquisition the first time. The carrying amount is adjusted annually to allow for the share in such associates' profit/loss, dividends received, any impairments and other changes to their equity.

Using the equity method, the Group determines whether it is necessary to recognise an additional impairment for the shares of the Group in associates measured according to the equity method. At each balance sheet date, the Group determines whether there are objective indications as to whether the share of an associated valued according to the equity method might have been impaired. If this is the case, then the difference between the recoverable amount and the carrying amount of the share is recognised as an impairment in profit and loss.

#### **Financial instruments**

Financial instruments are defined in accordance with IAS 39 as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**IAS 39 defines the following different categories for financial assets:**

- Financial assets measured at fair value through profit or loss  
(Fair Value through Profit or Loss = FVtPoL)
- Held-to-maturity financial assets  
Held-to-Maturity Investments (HtM)
- Loans and receivables  
Loans and receivables (LaR)
- Available-for-sale financial assets  
Available-for-Sale (AFS)

**Financial assets measured at fair value through profit or loss**

Financial assets measured at fair value through profit or loss comprise assets classified as held for sale as well as financial assets which are initially recognised at their fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of being resold in the near future. Derivatives are also classified as being held for trading except for those which are designated as hedges and are effective as such. Gains or losses from financial assets which are classified as held for trading are recognised through profit or loss.

Financial assets to be measured at fair value through profit or loss are analysed to establish whether the intention to sell them in the near future still is appropriate.

For financial assets that cannot be traded on account of inactive markets and the intention to sell them in the foreseeable future is abandoned, management may decide to reclassify such financial assets in certain circumstances. The reclassification to loans and receivables, to available-for-sale or to held-to-maturity assets depends on the nature of the asset. This measurement has no impact on financial assets that were valued and classified at fair value

through profit or loss by exercising the fair value option.

**Held-to-maturity financial assets**

Held-to-maturity instruments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the intention and ability to hold to maturity and there is an active market for such assets. After initial recognition, held-to-maturity financial assets are measured at amortised costs of acquisition using the effective interest method. Gains and losses are reported in the income statement for the period in which the assets are derecognised or impaired, and through the amortisation process.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised costs of acquisition using the effective interest method net of any impairment losses. Gains and losses are reported in the income statement for the period in which the loans and receivables are derecognised or impaired.

In the case of current receivables and liabilities, amortised costs of acquisition fundamentally equals the nominal or settlement amount.

**Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not allocated to any of the other three categories. After initial recognition, they are measured at their fair value. Unrealised gains and losses are recognised directly within equity. If such a financial asset is derecognised or impaired, the cumulative gains and losses hitherto recognised within equity are taken to the income statement.

The Group accounts for financial instruments at amortised costs of acquisition or at fair value.

Financial assets or parts thereof are derecognised when the Group loses control over the contractual rights arising from the assets. Exceptions from this are passed on bills or trade notes receivable passed; these are cancelled only once they are settled by the drawee.

Financial assets are assigned to one of the above categories upon initial recognition. Where permissible and necessary, they are reclassified at the end of the accounting period.

All purchases and sales of financial assets in accordance with normal market conditions are recorded on the day on which the Group assumes the obligation to buy or sell the asset. These transactions are in accordance with normal market conditions if delivery of the assets is prescribed within a period defined by market regulations or conventions.

***Financial liabilities are categorised as follows:***

- Financial liabilities at fair value through profit or loss (Financial Liabilities Held for Trading = FLHfT)
- Financial liabilities measured at amortised cost (Financial Liabilities measured at Amortised Cost = FLAC)

**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 other financial liabilities which are initially recognised as financial liabilities at fair value through profit or loss.

The Group has so far not made use of the option to initially recognise financial liabilities at fair value through profit or loss.

**Financial liabilities measured at amortised cost**

The financial liabilities measured at amortised acquisition costs are to be measured at fair value during initial assessment. These values are subsequently calculated using the effective interest method less adjustments, repayments and discounts or premiums on acquisition, including transaction costs and fees forming an integral part of the effective interest rate.

Profits and losses are only recognised through profit and loss upon derecognition.

A financial liability is derecognised if the obligation underlying the liability is fulfilled, terminated or extinguished.

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 materially 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.

**Inventories**

Inventories are recorded at the lower of cost and the net realisable amount. The net realisable amount is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing the inventories to their present location and condition are recognised as follows:

- Raw materials and supplies as well as assets held for sale in the ordinary course of business – 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

#### **Trade receivables and other originated financial assets**

Trade receivables and other original financial assets are recognised at amortised acquisition costs net of any individual value adjustments. Impairment losses in the form of individual or general adjustments, are recognised to reasonably allow for the risk of default, with the extent of the adjustment essentially being the overdue period. In the presence of objective indications of impairment, the latter is recorded via an adjustment account through profit or loss. In the Sto Group, the adjustment account is essentially used for recognition of impairments of trade receivables. In the event of specific defaults, the receivable in question is derecognised.

All receivables and financial assets are tested for impairment.

#### **Derivative financial instruments**

In the Group, derivative financial instruments in the form of currency forwards are used for hedging against currency risks. These derivative financial instruments are recognised at their fair value as of the date on which the contract is entered, and measured in subsequent periods at their fair value. Derivative financial instruments are recognised as assets if they have a positive fair value and as liabilities if they have a negative fair value.

Gains and losses from changes in the fair value of derivative financial instruments which do not satisfy the conditions for recognition as hedges are immediately taken to the income statement.

The fair value of currency forwards is calculated on the basis of the current forward exchange rate for contracts with a similar maturity structure.

For hedge accounting purposes, hedging instruments are recognised as follows:

- As fair value hedges if the instrument hedges the risk of a change in the fair value of a recognised asset or liability or an unrecognised firm commitment (excluding currency risk)
- As cash-flow hedges if the instrument hedges the risk of fluctuation in cash flows which can be allocated to a recognised asset or liability, the risk arising from a highly probable forecast transaction or the currency risk arising from an unrecognised firm commitment
- As hedges of a net investment in a foreign operation

At the beginning of hedging, both the hedging relationship and the Group's risk management goals and strategies regarding hedging are formally established and documented. The documentation contains the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are considered to be highly effective at successfully offsetting the risks arising from changes in the fair value or cash flow.

Hedges of cash flows which satisfy the strict hedge accounting criteria are accounted for as follows:

The effective portion of the gain or loss from a hedging instrument is recognised through other earnings in equity, whereas the ineffective portion is immediately recognised in profit or loss.

The amounts recognised in equity are reclassified in the income statement in the period in which the hedged transaction affects the income statement for the period, e. g. when the hedged income or expenditures are recorded or an expected sale is executed. If a hedge results in the recognition of a non-financial asset or a non-financial liability, the amounts recognised in equity become part of the acquisition costs as of the date on which the non-financial asset or non-financial liability is first recognised.

If the forecast transaction or firm commitment are no longer expected to occur, the amounts previously recognised under equity are reclassified into profit and loss. If the hedging instrument expires or is sold, terminated or exercised (not including the replacement or rollover of a hedging instrument into another hedging instrument), the cumulative gain or loss on the hedging instrument that is recognised directly in equity from the period when the hedge was effective remains separately recognised in equity until the forecast transaction or firm commitment of the underlying transaction occurs.

In the Group, derivative financial instruments are essentially currency forwards. These are used to hedge currency risks.

In the fiscal years of 2012 and 2013 there had been no hedges satisfying the strict hedge accounting criteria.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash at banks including highly liquid deposits available at short notice, which can be converted quickly into certain cash amounts, with original settlement periods of three or fewer months and which are not additionally subject to any material fluctuation in value.

#### **Available-for-sale assets**

The Group classifies non-current assets as available-for-sale assets if the respective carrying amount is mainly realised through a sales transaction rather than through ongoing use. Financial assets classified as available-for-sale are measured at the lower of the carrying amount and fair value less costs of sale. Assets are only classified as available-for-sale if sale is probable. Management must have decided the sale and this sale must have been completed within a year from the corresponding reclassification.

Property, plant and equipment as well as intangible assets classified as available-for-sale are not subject to scheduled depreciation/amortisation.

#### **Treasury stock**

Sto AG treasury stock is deducted from equity. The purchase, sale, issue and redemption of treasury stock is not recognised in profit and loss.

#### **Post-employment benefit provisions**

Actuarial measurement of the post-employment benefit provisions is based on the projected-unit-credit method for post-retirement benefit commitments as defined in IAS 19. This method takes account of the benefit obligations and entitlement accruing on the balance sheet date as well as expected life expectancy, future salary and pension trends, the expected age of retirement and expected fluctuation.

Average life expectancy is estimated on the basis of acknowledged biometric models. Actuarial gains and losses are recognised in other income in equity with no impact on profit or loss after deferred taxes.

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.

These plan assets take the form of a qualifying insurance policy. Plan assets cannot be touched by creditors or directly paid out to the Group. Measurement is based on the fair value. Since this is a qualified insurance policy, fair value corresponds to the present value of the covered liability.

#### **Other provisions**

In accordance with IAS 37, provisions are recognised 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 reliably estimated.

Provisions are reviewed at each balance sheet date and adjusted in the light of the best current estimate.

Provisions in which the interest effect exercises a material effect in connection with the settlement of the obligation are recognised at the present value of the expected expenses. The discount is based on risk-free interest rates. The settlement amount also includes any expected increase in costs.

If the conditions for recognising provisions are not met, the obligation in question is reported as a contingent liability provided that there is a reasonable likelihood of an outflow of resources embodying economic benefits.

#### **Trade payables and other originated financial liabilities**

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

#### **Deferred taxes**

As a matter of principle, deferred taxes are recognised for all temporary differences between

the taxable amounts and the consolidated balance sheet.

Deferred taxes are recognised on tax losses provided that it is likely that they will be able to be used. They are not recognised if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (other than a business combination) which affects neither accounting profit nor taxable profit (tax loss). Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences arising from shares in subsidiaries, associates 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 in the foreseeable future.

Deferred taxes are measured in accordance with the applicable national income tax rates expected as of the date of realisation, on the basis of applicable or enacted tax law.

Deferred tax assets which are not expected to be recognised in a reasonable period of time are adjusted. Deferred tax assets are re-assessed at each balance sheet date. Deferred tax assets and liabilities are netted if the Group has a legally enforceable right to set off the recognised amounts and they relate to income taxes levied by one and the same taxation authority for one and the same tax payer.

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

#### **Recognition of income and expenses**

As a matter of principle, revenues are not recognised until the goods or services in question

have been supplied, i.e. the risks and rewards of ownership have been transferred to the customer. Operating expenses are reported as expense upon utilisation of the service or on the date on which they are caused. Interest income and expenses are recorded in the period they are incurred. Dividends are recognised at the time when legal entitlement arises.

### Government funding

Government funding is recognised in accordance with IAS 20 if it is certain that the conditions involved will be fulfilled and the government funding will subsequently be granted.

Earnings-related government funding is collected through profit or loss in the period in which the expenses to be defrayed are incurred. Government funding is generally tied to a number of conditions imposed. Fulfillment of these conditions is also verified when disbursing such government funding because expenses are generally refunded only once the expenses to be subsidised have actually been incurred. This prevents later repayments.

### Financial guarantees

Financial guarantees extended by the Group are contracts which obligate the making of payments that indemnify the guarantee holder for a loss arising from a specific debtor who does not meet his payment obligations on time according to the conditions of a debt instrument. These financial guarantees are treated as insurance contracts pursuant to IFRS 4, in other words they are accounted for as contingent obligations until it becomes probable that a claim will be filed. If such is the case, the corresponding obligation is included in the balance sheet.

### Events after the balance sheet date

Events occurring after the balance sheet date which provide additional material information on the Group's condition at the balance sheet

date are included in the financial statements. Events occurring after the balance sheet date impacting value are disclosed in the notes.

### Discretionary decisions, estimates and assumptions by Management

The preparation of the consolidated financial statements requires the use of discretionary decisions, estimates and assumptions which affect the extent and disclosure of assets and liabilities reported, income and expenses recognised and contingent liabilities in the period under review. Uncertainties associated with these assumptions and estimates, however, may give rise to results leading to substantial adjustments to the carrying amounts of the assets or liabilities affected in future periods.

The assumptions and assessments are based on premises which in turn reflect the knowledge available at that point in time. In particular, estimates concerning the Group's expected future economic performance are based on the circumstances known as of the date on which the consolidated financial statements are prepared as well as probable expectations as to future trends in business conditions both globally and in the Group's sector. Changes in these underlying conditions which deviate from these assumptions and are beyond management's control may cause actual amounts to vary from the original estimates. If actual trends deviate from those expected, the premises and if necessary carrying amounts of the assets and liabilities concerned are adjusted accordingly. The essential assumptions and estimates relate to:

- **Impairment of non-financial assets**

An impairment occurs if the carrying amount of the asset or of a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or of a cash-generating unit is the higher of the two

amounts of fair value less cost of sale and the value in use. The calculation of fair value less cost of sale is based on available 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. A discounted cash flow method is used in order to calculate the value in use. Cash flows are derived from the finance plan of the following five years, with material future investments that will increase the profitability of the cash-generating unit tested not being included. The recoverable amount is heavily dependent on the discount rate used within the scope of the discounted cash flow method as well as on the expected future cash inflows and the growth rate used for extrapolation purposes.

- **Available-for-sale assets**

The assets held for sale refer to developed property. Executive Management came to the conclusion that the property still meets the criteria of available-for-sale assets as at 31 December 2012 for the following reasons.

- A mutually binding letter of intent had been signed by the prospective purchaser.
- The Group expects the sale to be completed by 31 December 2014.

- **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. Owing to the immense bandwidth of international business relations and the complexity of existing contractual arrangements, departures from the actual results and the assumptions made as well as future changes may call for adjustments to

tax assets and tax liabilities already recognised. On 31 December 2013, the deferred tax liabilities stood at EUR 1,501 K and the deferred tax assets at EUR 9,179 K. On 31 December 2013, the income tax liabilities totalled EUR 5,804 K, the income tax receivables EUR 4,636 K.

- **Pension benefits**

The expense of defined benefit plans on termination of employment and the present value of pension obligations are determined by actuarial calculations. An actuarial evaluation is made on the basis of various assumptions that may deviate from actual developments in the future. These parameters include future discount rates, the mortality rate, the expected age of retirement and future pension increases. Owing to the complexity of the evaluation, of the underlying assumptions and their long-term nature, a defined benefit-oriented commitment reacts extremely sensitively to any changes to such assumptions. All assumptions are reviewed at each contracting cut-off date.

In determining the appropriate discount rate, Management relies for guidance on the interest rates of corporate bonds in the respective currency with at least an AA rating; these interest rates are adjusted by extrapolation to the expected lifetime of the defined benefit obligation.

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 expected age of retirement is determined on the basis of company-specific data of the past few years as well as future expectations. On 31 December 2013, the provisions for pensions and similar liabilities before offset-

ting plan assets totalled EUR 60,998 K. EUR 6,317 K of which are offset against the plan assets. Post-employment benefit provisions amounted to EUR 54,681 K as at 31 December 2013.

- **Fair value of financial instruments**

To the extent that the fair value of financial assets and financial liabilities recognised in the balance sheet cannot be measured by means of data sourced on an active market, it will be determined using measurement methods, including the discounted cash flow method. The input parameters included in the model are based as far as possible on observable market data. A net liability of EUR 15 K resulted on 31 December 2013 from the financial instruments valued at fair value.

- **Receivables**

Allowances for bad debt are made in the Sto Group in order to take account of anticipated losses resulting from customers' insolvency. The basis for assessing the appropriateness of allowances for bad debt are the due dates of receivables and experience made in derecognising receivables in the past, as well as changes in payment behaviour. In the event of a deterioration of customer's financial condition, the extent of derecognitions actually made may exceed the extent of the anticipated derecognitions. The carrying amount of the trade receivables totalled EUR 116,879 K on 31 December 2013.

- **Provisions**

Management is required to make assessments, especially as regards recognition and valuation of guarantee provisions. Provisions for guarantee commitments are set up if the occurrence of a guarantee commitment is considered to be probable. For instance,

the assessment of the degree of probability and the possible extent is based on past experience, external experts, volumes sold as well as on current information available. Owing to the associated uncertainties, the actual costs may differ from the original estimates and, therefore, from the amount provisioned.

The carrying amount of current warranty provisions on 31 December 2013 amounted to EUR 26,208 K. On the balance sheet date non-current warranty provisions amount to EUR 2,918 K.

On the date of preparation of the consolidated financial statements there were no additional material risks to the underlying assumptions and estimates which would have required material adjustments of the carrying amounts of the assets and liabilities recognised in the consolidated balance sheet in the following accounting period.

## Group segment reporting as at 31 December 2013

Information on geographic segments by sales markets in EUR K	Western Europe		Other			
			Northern/Eastern Europe		America/Asia	
	2013	2012	2013	2012	2013	2012
External revenues	919,043	899,439	114,500	117,266	132,533	125,094
Inter-segment revenues	30,372	28,785	91	45	145	294
<b>Segment revenues</b>	<b>949,415</b>	<b>928,224</b>	<b>114,591</b>	<b>117,311</b>	<b>132,678</b>	<b>125,388</b>
EBITDA	111,185	102,711	4,366	5,863	13,660	12,595
Depreciation/amortisation	23,016	20,359	3,731	3,217	2,169	2,125
<b>EBIT (Earnings before interest and taxes)</b>	<b>88,169</b>	<b>82,352</b>	<b>635</b>	<b>2,646</b>	<b>11,491</b>	<b>10,470</b>
Interest income	2,196	2,618	296	289	399	473
Interest expense	3,349	3,335	325	306	36	82
<b>EBT (Earnings before taxes)</b>	<b>87,016</b>	<b>81,635</b>	<b>606</b>	<b>2,628</b>	<b>11,854</b>	<b>10,863</b>
<b>Segment assets</b>	<b>562,984</b>	<b>531,340</b>	<b>58,854</b>	<b>67,061</b>	<b>66,816</b>	<b>69,498</b>
<b>Investments</b>	<b>27,395</b>	<b>29,918</b>	<b>1,760</b>	<b>3,000</b>	<b>3,200</b>	<b>3,406</b>
<b>Staff on balance sheet date</b>	<b>3,655</b>	<b>3,561</b>	<b>612</b>	<b>643</b>	<b>524</b>	<b>485</b>

Notes on product groups in EUR K	Facade systems		Facade coatings		Interiors	
	2013	2012	2013	2012	2013	2012
External revenues	565,688	566,545	288,923	279,982	153,239	150,642

Segment reporting is explained in Note (32).

Reconciliation/ consolidation booking entries		Group	
2013	2012	2013	2012
-65	-114	1,166,011	1,141,685
-30,608	-29,124	0	0
<b>-30,673</b>	<b>-29,238</b>	<b>1,166,011</b>	<b>1,141,685</b>
-311	-43	128,900	121,126
90	167	29,006	25,868
<b>-401</b>	<b>-210</b>	<b>99,894</b>	<b>95,258</b>
-720	-174	2,171	3,206
-726	-213	2,984	3,510
<b>-379</b>	<b>-573</b>	<b>99,097</b>	<b>94,553</b>
<b>13,815</b>	<b>16,350</b>	<b>702,469</b>	<b>684,249</b>
<b>0</b>	<b>0</b>	<b>32,355</b>	<b>36,324</b>
<b>0</b>	<b>0</b>	<b>4,791</b>	<b>4,689</b>

Other product groups		Group	
2013	2012	2013	2012
158,161	144,516	1,166,011	1,141,685

## Notes on the consolidated income statement

### (1) Revenues

For the purposes of segment reporting, revenues are broken down by geographic market and business segment.

### (2) Other internally generated assets

Other internally generated assets in the year under review comprise the required capitalisation of planning costs and internally generated assets for constructed buildings. In the previous year, other internally generated assets comprised the required capitalisation of planning costs and internally generated assets for erected buildings.

in EUR K	2013	2012
Income from the reversal of provisions and accrued liabilities	13,006	10,263
Income from the reversal of value adjustments for receivables and other assets	2,964	2,009
Currency translation gains	1,813	2,319
Proceeds received towards derecognised receivables	633	636
Income from the disposal of assets	454	437
Income from recharged expenses to third parties	258	250
Government funding	368	238
Reimbursement of pre-retirement reduced working hours	0	8
Other operating income	6,339	5,592
<b>Other operating income in total</b>	<b>25,835</b>	<b>21,752</b>

### (3) Other operating income

Other operating income covers EUR 2,852 K (previous year: EUR 433 K) in connection with legal proceedings.

Public funding consists essentially of research grants. To some extent, this funding is subject to certain conditions. We assume that we can meet the conditions imposed.

**(4) Cost of material**

in EUR K	2013	2012
Raw materials and manufacturing supplies	235,463	244,290
Goods purchased	287,347	276,640
<b>Total materials and supplies to be consumed in the production process and goods purchased</b>	<b>522,810</b>	520,930
Temporary staff	5,961	5,332
Commission production	1,665	2,143
<b>Total services purchased</b>	<b>7,626</b>	7,475
<b>Total cost of material</b>	<b>530,436</b>	528,405

**(5) Personnel expenditure**

in EUR K	2013	2012
Wages and salaries	243,974	235,521
Social security contributions and expenditure on old-age pensions and support	53,009	51,273
<b>Total personnel expenditures</b>	<b>296,983</b>	286,794

Expenditure on post-employment benefits primarily comprises additions to the post-employment benefit provisions as stated in Note (24).

**Annual average headcount**

Amount	2013	2012
Employees	4,626	4,511
Trainees/apprentices	197	193
<b>Total no. of employees</b>	<b>4,823</b>	4,704

In the year under review, research and development costs accounted for approx. EUR 11.7 million with an impact on profit and loss (previous year: approx. EUR 13.2 million).

**(6) Other operating expenses**

in EUR K	2013	2012
Sales	105,397	107,097
Administration costs	42,865	40,466
Rental and lease payments	29,273	29,498
Operating costs	28,252	25,571
Adjustments to receivables and other assets	10,284	8,085
Other staff costs	7,049	6,090
Currency translation expense	2,749	3,658
Losses from the disposal of non-current assets	369	295
Other expenses	8,343	7,225
<b>Other operating expenses in total</b>	<b>234,581</b>	<b>227,985</b>

Currency translation losses primarily comprise exchange rate losses arising between the date of the transaction and date of payment as well as currency translation using closing rates.

Adjustments of receivables and other assets include allowance for irretrievable accounts which have not been adjusted as well as additions to adjustments.

**(7) Depreciation/amortisation**

The amortisation of intangible assets and the depreciation of property, plant and equipment are analysed in the appropriate parts of these Notes.

In the year under review, the impairment test revealed an adjustment of goodwill of STOMIX spol. s r.o. of EUR 62 K and of Sto Italia Srl of EUR 1,398 K (there had been to adjustments of goodwill in the previous year).

Due to the conducted impairment test further impairments of intangible assets were made at STOMIX spol. s. r.o. to the amount of

EUR 883 K. Of this amount, EUR 843 K were attributable to the customer base and EUR 40 K to the product brand. In the previous year this contained a non-scheduled depreciation of a property amounting to EUR 373 K.

The discount rate before taxes used for the cash flow forecast is 11.9 % for Sto Italia Srl and 11.0 % for STOMIX spol. s r.o. The reason for the adjustments are reduced turnover expectations in Italy and the Czech Republic.

Sto Italia Srl belongs to the segment of Western Europe and STOMIX spol. s r.o. to the segment of North/East Europe.

**(8) Share in profits of associates**

Earnings from financial investments valued at equity were accounted for by JMA Jura Marmor Abbau GmbH & Co. KG. It includes the ongoing adjustment of the at equity value of the fiscal year. Last year, earnings from financial investments valued at equity were solely accounted for by Inotec GmbH.

**(9) Net interest income**

in EUR K	2013	2012
Other interest and similar income	2,171	3,206
Interest and similar expenditure	-746	-966
Interest expense for post-employment benefit obligations	-1,865	-2,096
Compounding interest of other non-current provisions and liabilities	-280	-312
Interest expense for finance leasing	-94	-136
<b>Net interest income in total</b>	<b>-814</b>	<b>-304</b>

**(10) Other net financial income/expense**

in EUR K	2013	2012
Expense arising from value measurement of derivatives	-24	-38
Income arising from value measurement of derivatives	43	0
Income from the deconsolidation of business units	0	877
<b>Other net financial income/expense in total</b>	<b>19</b>	839

**(11) Taxes on income and earnings****Breakdown of income tax expense**

in EUR K	2013	2012
Actual domestic tax expense	17,955	15,982
Actual non-domestic tax expense	13,776	13,090
<b>Actual tax expense</b>	<b>31,731</b>	29,072
of which off-period tax expense	(-609)	(144)
Income from reversal of tax provisions (off-period)	-44	-57
<b>Actual taxes on income and earnings</b>	<b>31,687</b>	29,015
Deferred tax income/liabilities, domestic	-789	-581
Deferred tax income/liabilities, non-domestic	-260	683
<b>Deferred tax income/liabilities</b>	<b>-1,049</b>	102
<b>Income tax expense reported</b>	<b>30,638</b>	29,117

In the 2013 assessment period the statutory corporate tax in Germany was levied at a rate of 15.0 %. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 28.6 % (previous year: 28.6 %).

The local income tax rates for foreign companies ranged between 10.0 % and 37.6 % (previous year: 10.0 % to 37.6 %). Deferred taxes were measured using the tax rates valid or enacted as of the balance sheet date.

In 2013, the realisation of unused tax losses from previous years led to a reduction in current taxes on income and earnings of EUR 71 K (previous year: EUR 19 K).

Unused tax losses were valued at EUR 11,873 K (previous year: EUR 11,950 K). Unused tax losses of EUR 1,120 K (previous year: EUR 833 K) are available for an indefinite period, while EUR 8,216 K (previous year: EUR 7,684 K) may only be utilised within 5 years and EUR 2,537 K (previous year: EUR 3,433 K) only within 10 years.

Of the unused tax losses, a sum of EUR 11,788 K (previous year: EUR 11,718 K) is assumed to not be available for the time being. Unused tax losses of EUR 1,035 K (previous year: EUR 614 K) are available for an indefinite period, while EUR 8,216 K (previous year: EUR 7,671 K) may only be utilised within 5 years and EUR 2,537 K (previous year: EUR 3,433 K) only within 10 years.

EUR 1,055 K of deferred tax expenses accounted for temporary differences (previous year: deferred tax expense EUR 97 K).

Changes in tax rates resulted in a deferred tax income of EUR 8 K (previous year: EUR 97 K).

Deferred tax assets set up in equity without any impact on profit or loss amounted to EUR 3,736 K at the balance sheet date (previous year: deferred tax assets EUR 5,125 K). Recording actuarial profits and losses with no impact on profit or loss within equity in accordance with IAS 19 resulted in a decrease in equity of EUR 1,389 K in the current fiscal year (previous year: increase in equity of EUR 5,191 K due to the reversal of passive deferred taxes) due to the reversal of active deferred taxes.

No deferred taxes were recognised on the profits retained by subsidiaries of EUR 3,362 K (previous year: EUR 3,249 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.

In 2006, as a result of statutory amendments in Germany, a corporate tax reimbursement claim was recognised for the first time in the income statement and reported in the balance sheet at present value.

The reimbursement claim had a present value of EUR 2,884 K at the balance sheet date (previous year: EUR 3,529 K).

The following deferred tax assets and liabilities are recognised to allow for recognition and measurement differences in the individual items of the balance sheet and the unused tax losses:

**Balance sheet item**

in EUR K	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Intangible assets	271	21	263	774
Property, plant and equipment	248	204	7,511	7,999
Non-current financial assets	726	379	0	0
Inventories	1,598	1,414	153	157
Current trade receivables	1,283	1,102	299	313
Current financial assets	0	0	230	362
Other current assets	96	71	408	196
Cash and cash equivalents	10	0	0	0
Assets held for sale	3	15	0	0
Special tax items	0	0	0	93
Post-employment benefit provisions	6,863	8,107	116	145
Other non-current provisions	340	148	40	9
Non-current borrowings	410	292	0	0
Current provisions	3,893	4,790	556	389
Current borrowings	242	152	0	0
Other current liabilities	1,254	1,888	0	28
Unused tax losses	14	25	0	0
Tax reimbursements not yet utilised	3	0	0	0
<b>Gross amount</b>	<b>17,254</b>	<b>18,608</b>	<b>9,576</b>	<b>10,465</b>
Offset	8,075	8,674	8,075	8,674
<b>Amount recognised in the balance sheet</b>	<b>9,179</b>	<b>9,934</b>	<b>1,501</b>	<b>1,791</b>

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 relate to income taxes levied by one and the same taxation authority for the same tax payer.

**Change in deferred taxes**

in EUR K	Consideration in		<b>Total</b>
	Income statement	Equity capital	
<b>Status of deferred taxes as at 1 January 2013</b>	<b>3,018</b>	<b>5,125</b>	<b>8,143</b>
Intangible assets	753	0	753
Property, plant and equipment	464	0	464
Non-current financial assets	347	0	347
Inventories	199	0	199
Current trade receivables	215	0	215
Current financial assets	131	0	131
Other current assets	-196	0	-196
Cash and cash equivalents	11	0	11
Assets held for sale	-12	0	-12
Special tax items	92	0	92
Post-employment benefit provisions	175	-1,389	-1,214
Other non-current provisions	161	0	161
Non-current borrowings	119	0	119
Current provisions	-898	0	-898
Current borrowings	90	0	90
Other current liabilities	-597	0	-597
Unused tax losses	-9	0	-9
Tax reimbursements not yet utilised	3	0	3
Effects from first-time consolidation	-20	0	-20
Currency translation effects	-104	0	-104
<b>Status of deferred taxes as at 1 December 2013</b>	<b>3,942</b>	<b>3,736</b>	<b>7,678</b>

**Reconciliation of expected and reported income tax expense**

in EUR K	2013	2012
Accounting profit	99,097	94,553
<b>Expected income tax expense (tax rate: 28.6 %; previous year: 28.6 %)</b>	<b>28,342</b>	27,042
<i>Reconciliation:</i>		
Tax-free income, other deductions and permanent differences	2,876	2,236
Change in tax rate	-8	-97
Deviations of local tax rates from Group tax rate	-664	-691
Deferred tax income on unused tax losses recognised for the first time	0	0
Tax reduction for unused tax losses not yet recognised	-71	-19
Effects of non-recognition of unused tax losses	706	421
Off-period taxes	-654	87
Other effects	111	138
<b>Income tax expense reported</b>	<b>30,638</b>	29,117
Effective tax rate (%)	30.9	30.8

**(12) Earnings per share**

Earnings per share are calculated by dividing the proportion of earnings attributable to Sto AG shareholders by the weighted average number of ordinary and preference shares outstanding in the year under review.

Basic earnings per share in accordance with IAS 33 amounted to EUR 27,289 K for prefer-

ence shares (previous year: in EUR 25,808 K) and for ordinary shares in EUR 41,570 K (previous year: in EUR 39,302 K). In addition to shares outstanding, diluted earnings per share also include potential shares (e. g. from options). Both at 31 December 2013 and 31 December 2012 there were no potential shares. Accordingly, basic and diluted earnings per share are identical in both years.

Amount	Ordinary shares		Preference shares	
	2013	2012	2013	2012
Weighted average number of shares outstanding – basic/diluted	<b>3,888,000</b>	3,888,000	<b>2,538,000</b>	2,538,000

in EUR	2013	2012	in EUR	2013	2012
share attributable to the shareholders of Sto AG	68,858,962	65,110,474			
Basic/diluted earnings – of which:			Earnings per share – basic/diluted		
Ordinary shares	41,570,429	39,302,437	Ordinary share	10.69	10.11
Preference shares	27,288,533	25,808,037	Preference share	10.75	10.17

In fiscal 2013, a dividend from the earnings of 2012 of EUR 4.81 per ordinary share (total of EUR 18,701 K), consisting of EUR 0.25 plus a bonus of EUR 4.56 and EUR 4.87 per preference share (total: EUR 12,360 K), consisting of EUR 0.31 plus a bonus of EUR 4.56 was distributed. In total, the dividend payout amounted to EUR 31,061 K.

In fiscal 2012, a dividend from the earnings of 2011 of EUR 4.81 per ordinary share (total of EUR 18,701 K), consisting of EUR 0.25 plus a bonus of EUR 4.56 and EUR 4.87 per preference share (total: EUR 12,360 K), consisting of EUR 0.31 plus a bonus of EUR 4.56 was distributed. In total, the dividend payout amounted to EUR 31,061 K.

#### Further notes on the income statement in accordance with IFRS 7

The Sto Group categorises financial instruments as follows:

- Financial instruments at fair value through profit or loss
- Financial assets measured at amortised costs of acquisition
- Financial instruments with a value recognition in the balance sheet according to IAS 17
- Financial instruments that are subject to Hedge Accounting and
- Financial instruments not coming within the scope of IFRS 7 (equity investments)

#### Net profit/loss from financial assets categorised in accordance with IAS 39

in EUR K	2013	2012
<b>Assets</b>		
Designated assets to be measured at fair value through profit or loss (fair value option)	0	0
Assets held for trading	383	1,368
Sum total of financial assets measured at fair value through profit or loss	383	1,368
Available-for-sale assets	0	0
Held-to-maturity assets	0	0
Loans and receivables	-7,331	-5,612
<b>Liabilities</b>		
Financial liabilities measured at amortised cost	-627	-1,222

Net gains and losses from financial assets and liabilities at fair value through profit or loss include changes in the fair value as well as exchange-rate related expenditure and income in connection with these financial instruments. Interest expenses and income are not part of the net result.

Net gains and losses from loans and receivables are primarily derived from impairments and disposals.

**Total interest income and expense from financial instruments not recognised at fair value through profit or loss**

in EUR K	2013	2012
Interest income	1,994	2,914
Interest expense	680	797
<b>Net interest income</b>	<b>1,314</b>	2,117

**Impairment losses on financial assets by class**

in EUR K	2013	2012
Measured at amortised costs of acquisition	8,256	8,085

The measurement of the portfolio of financial instruments at fair value as at 31 December 2013 resulted in a expense of EUR 15 K (previous year: income of EUR 16 K).

Income and expenses from measurement at fair value are reported under other operating income and other operating expenses, respectively, or in net financial income under interest and similar expenses or in other financing expenses.

## Notes on the consolidated balance sheet

### (13) Intangible assets

#### Changes in intangible assets from 1 January to 31 December 2012

in EUR K	Industrial property rights and licences including software	Business or Goodwill	Payments made on account	Total
<b>Cost of acquisition/production</b>				
<b>01 January 2012</b>	<b>26,669</b>	<b>40,560</b>	<b>321</b>	<b>67,550</b>
Additions	2,726	0	615	3,341
Change to companies consolidated	-296	0	0	-296
Disposal	2,449	0	47	2,496
Transfers	213	0	-188	25
Exchange rate differences	76	41	1	118
<b>31 December 2012</b>	<b>26,939</b>	<b>40,601</b>	<b>702</b>	<b>68,242</b>
<b>Cumulative depreciation and impairment losses</b>				
<b>01 January 2012</b>	<b>19,756</b>	<b>4,188</b>	<b>0</b>	<b>23,944</b>
Depreciation for the year	2,391	0	0	2,391
Changes to companies consolidated	-37	0	0	-37
Disposal	2,445	0	0	2,445
Transfers	0	0	0	0
Exchange rate differences	8	0	0	8
<b>31 December 2012</b>	<b>19,673</b>	<b>4,188</b>	<b>0</b>	<b>23,861</b>
<b>Net carrying amount as at 31 December 2011</b>	<b>6,913</b>	<b>36,372</b>	<b>321</b>	<b>43,606</b>
<b>Net carrying amount as at 31 December 2012</b>	<b>7,266</b>	<b>36,413</b>	<b>702</b>	<b>44,381</b>

## Changes in intangible assets from 1 January to 31 December 2013

in EUR K	Industrial property rights and licences including software	Business or Goodwill	Payments made on account	Total
<b>Cost of acquisition/production</b>				
<b>01 January 2013</b>	<b>26,939</b>	<b>40,601</b>	<b>702</b>	<b>68,242</b>
Additions	2,057	0	724	2,781
Change to companies consolidated	314	0	0	314
Disposal	996	0	0	996
Transfers	484	0	-667	-183
Exchange rate differences	-257	-98	-1	-356
<b>31 December 2013</b>	<b>28,541</b>	<b>40,503</b>	<b>758</b>	<b>69,802</b>
<b>Cumulative depreciation and impairment losses</b>				
<b>01 January 2013</b>	<b>19,673</b>	<b>4,188</b>	<b>0</b>	<b>23,861</b>
Depreciation for the year	2,857	0	0	2,857
Changes to companies consolidated	0	0	0	0
Disposal	993	0	0	993
Impairment losses	883	1,460	0	2,343
Transfers	14	0	0	14
Exchange rate differences	-152	-3	0	-155
<b>31 December 2013</b>	<b>22,282</b>	<b>5,645</b>	<b>0</b>	<b>27,927</b>
<b>Net carrying amount as at 31 December 2012</b>	<b>7,266</b>	<b>36,413</b>	<b>702</b>	<b>44,381</b>
<b>Net carrying amount as at 31 December 2013</b>	<b>6,259</b>	<b>34,858</b>	<b>758</b>	<b>41,875</b>

**Goodwill**

Goodwill reported, amounting to EUR 34,858 K (previous year: EUR 36,413 K) breaks down as follows:

Cash Generating Units in EUR K	31 Dec 2013	31 Dec 2012
Sto AG	15,760	15,760
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim	2,780	2,780
Beissier S.A.S., La Chapelle La Reine/France	3,635	3,635
Beissier S.A.U., Erreterria/Spain	2,679	2,679
Sto – ispo Sp. z o.o., Warsaw/Poland	2,402	2,402
Sto Építőanyag Kft., Budapest/Hungary	1,764	1,764
Sto Italia Srl, Empoli/Italy	0	1,398
Sto Isoned B.V., Tiel/Netherlands	1,189	1,189
Sto Norge AS, Oslo/Norway	1,107	1,201
Miscellaneous under EUR 1,000 K	3,542	3,605
<b>Goodwill in total</b>	<b>34,858</b>	<b>36,413</b>

With the exception of Sto AG, the cash-generating units (CGUs) identified for purposes of calculating goodwill are identical to the legal entities. The Sto AG CGU comprises Sto AG, Stühlingen, StoVerotec GmbH, Lauingen, and StoCretec GmbH, Kriftel.



**(14) Property, plant and equipment****Changes in property, plant and equipment from 1 January to 31 December 2012**

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	Rendered advance payments and equipment under construction	<b>Total</b>
<b>Cost of acquisition/production</b>					
<b>01 January 2012</b>	<b>268,691</b>	<b>159,949</b>	<b>161,513</b>	<b>10,566</b>	<b>600,719</b>
Additions	6,454	6,107	9,663	10,759	32,983
Change to companies consolidated	-2	-2	-376	0	-380
Disposal	722	588	5,425	40	6,775
Changes from non-current assets which are classified as available-for-sale	-2,294	0	0	0	-2,294
Transfers	5,170	2,084	696	-7,975	-25
Exchange rate differences	813	200	511	56	1,580
<b>31 December 2012</b>	<b>278,110</b>	<b>167,750</b>	<b>166,582</b>	<b>13,366</b>	<b>625,808</b>
<b>Cumulative depreciation and impairment losses</b>					
<b>01 January 2012</b>	<b>138,257</b>	<b>123,697</b>	<b>135,254</b>	<b>17</b>	<b>397,225</b>
Depreciation for the year	7,919	6,551	8,633	0	23,103
Impairment losses	373	0	0	0	373
Disposal	359	560	5,103	0	6,022
Change to companies consolidated	0	0	-114	0	-114
Changes from non-current assets which are classified as available-for-sale	-122	0	0	0	-122
Transfers	15	-584	584	-15	0
Exchange rate differences	210	130	354	1	695
<b>31 December 2012</b>	<b>146,293</b>	<b>129,234</b>	<b>139,608</b>	<b>3</b>	<b>415,138</b>
<b>Net carrying amount as at 31 December 2011</b>	<b>130,434</b>	<b>36,252</b>	<b>26,259</b>	<b>10,549</b>	<b>203,494</b>
<b>Net carrying amount as at 31 December 2012</b>	<b>131,817</b>	<b>38,516</b>	<b>26,974</b>	<b>13,363</b>	<b>210,670</b>
of which leased assets classified as financial leases, carrying amount as at 31 December 2012	2,919	38	1,443	0	4,400

## Changes in property, plant and equipment from 1 January to 31 December 2013

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	Rendered advance payments and equipment under construction	Total
<b>Cost of acquisition/production</b>					
<b>01 January 2013</b>	<b>278,110</b>	<b>167,750</b>	<b>166,582</b>	<b>13,366</b>	<b>625,808</b>
Additions	6,676	3,471	11,582	7,845	29,574
Change to companies consolidated	3,598	569	63	0	4,230
Disposal	1,063	717	5,539	10	7,329
Changes from non-current assets which are classified as available-for-sale	0	0	0	0	0
Transfers	8,521	933	3,348	-12,619	183
Exchange rate differences	-1,798	-1,074	-927	-76	-3,875
<b>31 December 2013</b>	<b>294,044</b>	<b>170,932</b>	<b>175,109</b>	<b>8,506</b>	<b>648,591</b>
<b>Cumulative depreciation and impairment losses</b>					
<b>01 January 2013</b>	<b>146,293</b>	<b>129,234</b>	<b>139,608</b>	<b>3</b>	<b>415,138</b>
Depreciation for the year	8,340	6,695	8,761	10	23,806
Impairment losses	0	0	0	0	0
Disposal	830	657	5,254	0	6,741
Change to companies consolidated	0	0	0	0	0
Changes from non-current assets which are classified as available-for-sale	0	0	0	0	0
Transfers	0	248	-262	0	-14
Exchange rate differences	-719	-797	-746	1	-2,261
<b>31 December 2013</b>	<b>153,084</b>	<b>134,723</b>	<b>142,107</b>	<b>14</b>	<b>429,928</b>
<b>Net carrying amount as at 31 December 2012</b>	<b>131,817</b>	<b>38,516</b>	<b>26,974</b>	<b>13,363</b>	<b>210,670</b>
<b>Net carrying amount as at 31 December 2013</b>	<b>140,960</b>	<b>36,209</b>	<b>33,002</b>	<b>8,492</b>	<b>218,663</b>
of which leased assets classified as financial leases, carrying amount as at 31 December 2013	1,739	5	1,968	0	3,712

Land charges to property, plant and equipment with a carrying amount of EUR 29,421 K (previous year: EUR 48,541 K) serve to secure payables to banks. The land charges are valued on the balance sheet date at EUR 5,201 K (previous year: EUR 9,930 K).

Call options have mostly been agreed for the buildings and equipment leased under finance leases and these are expected to be exercised. Leases are based on a weighted interest rate of 3.1 %.

Future lease payments are set out in the following tables:

in EUR K	up to 1 year	1–5 years	5–10 years	31 Dec 2012
Lease payments	1,159	1,355	4	2,518
Interest portions	89	74	1	164
<b>Carrying amount/present value</b>	<b>1,070</b>	<b>1,281</b>	<b>3</b>	<b>2,354</b>

in EUR K	up to 1 year	1–5 years	5–10 years	31 Dec 2013
Lease payments	1,039	1,615	0	2,654
Interest portions	64	50	0	114
<b>Carrying amount/present value</b>	<b>975</b>	<b>1,565</b>	<b>0</b>	<b>2,540</b>

### (15) Financial assets accounted for using the equity method

The carrying amount of investments in associates as at 31 December 2013 stands at EUR 76 K (previous year: in EUR 0 K).

The following amounts are attributable to the Sto Group on account of the 45 % share in the joint venture Inotec GmbH:

in EUR K	31 Dec 2013	31 Dec 2012
Assets	1,171	978
Liabilities	1,393	978
Revenues	4,796	3,561
Net profit/loss for the period	-222	-1,240

The other companies measured at equity are a Kommanditgesellschaft (corresponds approximately to a limited partnership) and the related Komplementär-GmbH (corresponds approximately to a general partner) which both have a share of 50 %. This Kommanditgesellschaft owns a property with natural resources. These natural resources were neither exploited by the Group nor by the partner in 2013. Therefore, both companies had almost no activities. The values attributable to the Sto Group are insignificant.

The Group had no contingent liabilities as at 31 December 2013.

**(16) Inventories**

Inventories are measured at the lower of cost or the net realisable amount. Impairments in relation to the gross amount came to EUR 5,016 K (previous year: EUR 4,461 K). Of this, an amount of EUR 555 K reduced earnings (previous year: EUR 683 K).

Net carrying amounts are reported as follows:

in EUR K	31 Dec 2013	31 Dec 2012
Raw materials and manufacturing supplies	17,473	16,868
Work in progress	4,466	3,642
Finished products and goods	42,945	44,577
Payments made on account	574	1,121
<b>Total inventories</b>	<b>65,458</b>	<b>66,208</b>

Neither in the previous year nor in the last fiscal year inventories served to secure payables to banks.

**(17) Trade receivables**

in EUR K	short-term	long-term	Carrying amount as at 31 Dec 2013	short-term	long-term	Carrying amount as at 31 Dec 2012
<b>from</b>						
Third parties	115,952	925	116,877	115,051	833	115,884
Investments in associates	2	0	2	1	0	1
<b>Trade receivables in total</b>	<b>115,954</b>	<b>925</b>	<b>116,879</b>	<b>115,052</b>	<b>833</b>	<b>115,885</b>

The fair values of trade receivables equal their carrying amounts. Adjustments of EUR 20,821 K (previous year: EUR 21,941 K) were taken into account.

Trade receivables in excess of EUR 2,380 K (previous year: EUR 2,333 K) served to secure payables to banks.

**(18) Non-current and current financial assets**

in EUR K			Carrying amount as at 31 Dec 2013			Carrying amount as at 31 Dec 2012
	short-term	long-term		short-term	long-term	
Financial assets due from third parties	129,029	1,674	130,703	120,296	4,531	124,827
Positive fair value of derivative financial instruments	14	28	42	83	0	83
<b>Financial assets in total</b>	<b>129,043</b>	<b>1,702</b>	<b>130,745</b>	<b>120,379</b>	<b>4,531</b>	<b>124,910</b>

Financial assets due from third parties include cash investments due for settlement in more than three months. In addition, this item includes receivables from suppliers amounting to EUR 5,129 K (previous year: EUR 5,776 K). Financial asset adjustments of EUR 338 K (previous year: EUR 143 K) were taken into account.

Neither in the previous year nor in the last fiscal year financial assets served to secure payables to banks.

Derivative financial instruments have the following positive fair values:

in EUR K	31 Dec 2013	31 Dec 2012
<b>Hedges against</b>		
currency risks	42	63
interest risks	0	20
<b>Fair values of derivative financial instruments in total</b>	<b>42</b>	<b>83</b>

Derivative financial instruments as a whole are described in greater detail in Note (33).

**(19) Other non-current and current assets**

in EUR K			Carrying amount as at 31 Dec 2013			Carrying amount as at 31 Dec 2012
	short-term	long-term		short-term	long-term	
Other receivables from third parties	706	109	815	349	0	349
Other tax reimbursement claims	2,513	0	2,513	3,086	0	3,086
Prepaid expenses	4,088	656	4,744	4,748	162	4,910
Other payments made on account	829	0	829	553	0	553
<b>Other assets in total</b>	<b>8,136</b>	<b>765</b>	<b>8,901</b>	<b>8,736</b>	<b>162</b>	<b>8,898</b>

Other tax reimbursement claims include VAT reimbursement claims of EUR 2,494 K (previous year: EUR 3,047 K). Other assets allowances of EUR 128 K (previous year: EUR 0 K) were made.

**(20) Cash and cash equivalents**

in EUR K	31 Dec 2013	31 Dec 2012
Credit balances with banks	102,889	93,711
Cheques, cash in hand	1,055	1,066
<b>Cash and cash equivalents in total</b>	<b>103,944</b>	<b>94,777</b>

Credit balances are held at various banks in different currencies.

### **(21) Available-for-sale assets**

The assets held for sale refer to several developed properties which are to be sold. Contrary to our expectations, the sales were not made in 2013 as there was a lack of clarity with regard to the structural limitations of the possible uses. Now that these matters have largely been clarified, the sales will most likely be made in 2014. The properties are allocated to the Western Europe segment. Measurement is based on the carrying amount.

### **(22) Equity capital**

Changes in equity capital and minority interests are analysed in the statement of changes in equity capital.

#### **Subscribed capital**

Subscribed capital equalled EUR 17,556 K as at 31 December 2013. It remains divided into 4,320,000 registered ordinary shares and 2,538,000 preference shares with no voting rights with a nominal value of EUR 2.56 per share.

The preference shares pay a higher dividend, by EUR 0.06, than ordinary shares from the start, and at least a dividend in the amount of EUR 0.13.

If distributable profit is not sufficient to pay the priority dividend of at least EUR 0.13 per preference share in one or more fiscal years, then the missing amounts (without interest) are subsequently paid from the distributable profit of the following fiscal years once the share in the profit for those fiscal years has been distributed to the preference shares and prior to a dividend being paid on ordinary shares.

Preference shares are traded on the regulated market of the stock exchanges in Frankfurt/Main and Stuttgart as well as in the electronic trading system XETRA. Ordinary shares are not listed.

The above is valid for the time period up to the reference date of the annual financial statement. Since the conversion of Sto AG into Sto SE & Co. KGaA which had been decided at the annual general meeting of Sto AG on 12 June 2013 and registered in the trade register of Amtsgericht Freiburg (HRB 711236) on 26 March 2014, all business is conducted by the personally liable partner STO Management SE, Stühlingen (it does not hold a share in the capital of Sto SE & Co. KGaA). The share capital of Sto SE & Co. KGaA as was the case with Sto AG amounts to EUR 17,556 K and is split up into 2.538 million bearer limited preference shares without voting rights. The number of registered share with restricted transferability correspond to the number of ordinary shares of Sto AG. The number of preference shares has not changed either.

The limited preference shares of Sto SE & Co. KGaA, like the preference shares of Sto AG before, are listed at the stock exchanges in Frankfurt/Main and Stuttgart in the "Regulated market" segment. The limited ordinary shares continue to not be listed on the stock market.

#### **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:  
Revenue reserves include the current profits earned by Sto AG and its subsidiaries and those generated in previous years that were not distributed.
- Currency translation reserve:  
The currency translation reserve is used to record any differences arising from the trans-

lation of the financial statements of foreign subsidiaries.

- **Post-employment benefit reserve:**  
The post-employment benefit reserve contains actuarial gains net of actuarial losses from the post-employment benefit provisions arising from differences between actual and assumed trends as well as changes in such assumptions.
- **Treasury stock:**  
as at 31 December 2013 Sto AG, Stühlingen, holds treasury stock in the form of 432,000 registered ordinary shares with a notional par value of EUR 1,105,920.00. This is equivalent to 10 % of all ordinary shares or 6.3 % of the share capital of Sto AG. The treasury stock is not dividend-entitled. The conversion into Sto SE & Co. KGaA executed on 26 March 2014 has not resulted in any changes.

#### Proposed dividend

In accordance with Sections 278, 58 (4) of the German Stock Corporation Act, the dividend distributed is based on the unappropriated surplus recorded in the financial statements prepared according to German commercial law. The financial statements prepared by Sto SE &

Co. KGaA according to German commercial law carry a distributable profit of EUR 71,985 K. At the annual general meeting of Sto SE & Co. KGaA, the personally liable partner STO Management SE together with the Supervisory Board of Sto SE & Co. KGaA is expected to ask the shareholders to authorise a dividend of EUR 4.81 per limited preference share, consisting of EUR 0.25 plus a bonus of EUR 4.56 and a dividend of EUR 4.87 per limited preference share, consisting of EUR 0.31 plus a bonus of EUR 4.56, i.e. a total distribution amount of EUR 31,061 K, with EUR 40,000 to be retained and the balance of EUR 924 K to be carried forward to new account.

#### Notes on capital 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. The return on equity will not be recognised separately in capital management. In selecting financial instruments, the Group attaches importance to matching-maturities finance.

The capital structure at the balance sheet date is as follows:

in EUR K	31 Dec 2013	31 Dec 2012	Change in %
<b>Equity attributable to the shareholders of Sto AG</b>	<b>483,740</b>	<b>446,025</b>	<b>8.5 %</b>
Current borrowings	6,737	14,674	-54.1 %
Non-current borrowings	2,393	1,923	24.4 %
Less cash and cash equivalents	103,944	94,777	9.7 %
<b>Net assets</b>	<b>94,814</b>	<b>78,180</b>	<b>21.3 %</b>
% of equity capital	19.6 %	17.5 %	
Equity ratio	69.1 %	65.6 %	

In 2013, the equity capital attributable to the shareholders of Sto AG rose by 8.5 % over the previous year. This was essentially the result of the increase in revenue reserves. In the current financial year, financial liabilities have been further reduced.

As in the previous year, no net debt has been incurred in the current fiscal year.

Due to the new credit line arranged with a bank consortium in December 2012, the Group is constrained by external covenants. Any failure to comply with these financial covenants entitles the lenders to terminate the credit line for good cause. The conditions of these external covenants have been met.

### **(23) Share of minority interests**

The shares of equity on the part of minority interests in the current financial year are attributable to shareholders of Sto Italia Srl, Empoli/ Italy.

The shares of equity on the part of minority interests in the previous year were attributable to shareholders of Sto Italia Srl, Empoli/ Italy, and Industrial y Comercial Sto Chile Ltda., Santiago de Chile/Chile.

### **(24) Post-employment benefits and similar liabilities**

Provisions for post-employment benefits are recognised in accordance with entitlement arising under the company pension scheme. The benefits provided by the Group vary according to the legal, tax and economic situation in the individual country and are based on the length of service and partially the salary employees. The Group pension scheme primarily comprises defined benefit obligation plans. In addition, there are also some defined contribution plans. In the case of defined contribution plans, the Company pays contributions into public or

private pension funds in accordance with statutory or contractual obligations. Upon payment of these contributions, no further obligations accrue for the Company. Current contribution payments (net of contributions to statutory pension funds) are reported as post-employment benefit expenses for the year in question and were valued in the Sto Group at a total of EUR 777 K in 2013 (previous year: EUR 714 K). Contributions to pension funds came to EUR 17,210 K (previous year: EUR 17,591 K). The company pension schemes operated within the Sto Group are for the most part based on internally funded defined benefit plans. Benefit obligations assumed by the German companies primarily exist for old-age, invalidity, widow's and orphan's pensions.

Prerequisite for receiving benefits is that the following two requirements are met upon occurrence of the event

- minimum period of service of 10 years after the age of 25
- the employee had been in an employment relationship with the Group companies or has a non-lapsable entitlement.

Old-age pension is granted with receiving state pension. The monthly old-age or invalidity pension amounts to between EUR 5.11 or EUR 9.20 per year of service and depending on the employee status. The widow's pension amounts to 60 per cent of the old-age and invalidity pension.

As the calculations are based on assumptions that are subject to uncertainties, the generally applicable calculation methods were used. The sensitivity analyses listed below show the impacts of potential deviations.

Post-employment benefit provisions are calculated in accordance with IAS 19 (Employee benefits) using the projected unit credit method,

which is the standard international method. For this purpose, future obligations are measured on the basis of the prorated benefits accruing at the balance sheet date. In making this assessment, assumed trends in the relevant determinants influencing the size of the benefits are taken into account. Actuarial calculations are necessary for all pension systems.

Actuarial gains or losses arise from changes in the plan assets or deviations in actual trends (e. g. income and pension increases, changes in interest rates) or from changes in the assumptions underlying calculations. All actuarial gains and losses are recognised in equity in full in the period in which they arise. Actuarial gains and losses reported within equity are presented in the following provisions table.

### Changes in post-employment benefit provisions

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>Status: 1 January 2012</b>	<b>-40,877</b>	<b>0</b>	<b>-40,877</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-1,441	0	-1,441
Interest expense/income	-2,096	0	-2,096
Revenue from plan assets	-1,778	0	-1,778
<b>Sub-total recognised in the income statement for the period</b>	<b>-5,315</b>	<b>0</b>	<b>-5,315</b>
<b>Pension benefits paid</b>	<b>1,475</b>	<b>0</b>	<b>1,475</b>
<b>Profit/loss from reassessment recognised in other earnings</b>			
Expenditure from plan assets (solely the amounts contained in the interest expense)	0	0	0
Actuarial gains and losses from changes in demographic assumptions	0	0	0
Actuarial gains and losses from changes in financial assumptions	-16,340	0	-16,340
Experience-based adjustments	-1,843	0	-1,843
<b>Sub-total contained in other earnings</b>	<b>-18,183</b>	<b>0</b>	<b>-18,183</b>
<b>Employer contributions</b>	<b>0</b>	<b>5,759</b>	<b>5,759</b>
<b>Status: 31 December 2012</b>	<b>-62,900</b>	<b>5,759</b>	<b>-57,141</b>

**Changes in post-employment benefit provisions**

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>Status: 01 January 2013</b>	<b>-62,900</b>	<b>5,759</b>	<b>-57,141</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-2,256	0	-2,256
Interest expense/income	-2,076	190	-1,886
Revenue from plan assets	-770	0	-770
<b>Sub-total recognised in the income statement for the period</b>	<b>-5,102</b>	<b>190</b>	<b>-4,912</b>
<b>Pension benefits paid</b>	<b>1,711</b>	<b>0</b>	<b>1,711</b>
<b>Profit/loss from reassessment recognised in other earnings</b>			
Expenditure from plan assets (solely the amounts contained in the interest expense)	0	0	0
Actuarial gains and losses from changes in demographic assumptions	2,836	0	2,836
Actuarial gains and losses from changes in financial assumptions	3,115	-402	2,713
Experience-based adjustments	-658	0	-658
<b>Sub-total contained in other earnings</b>	<b>5,293</b>	<b>-402</b>	<b>4,891</b>
<b>Employer contributions</b>	<b>0</b>	<b>770</b>	<b>770</b>
<b>Status: 31 December 2013</b>	<b>-60,998</b>	<b>6,317</b>	<b>-54,681</b>

Current service costs are included in staff costs; interest expenses on the obligation is reported under interest expenses, Note (9).

Plan assets refer to a qualifying insurance contract. This is an almost risk-free direct insurance.

The calculation of pension provisions was based on the following assumptions, with the predominant share of the amount recognised in the balance sheet being accounted for by Germany.

in %	Germany		Non-Germany	
	2013	2012	2013	2012
Discount rate as at 31 December	3.55	3.30	3.3 – 3.55	3.25 – 3.3
Future pension increases	1.90	1.90	2.40	2.0 – 2.1
Age of retirement in years	65	63	60 – 67	60 – 67

The Heubeck 2005 G tables have been used as the biometric basis for calculations for German companies since 31 December 2005.

The following shows a quantitative sensitivity analysis of the most important assumptions as on 31 December 2013:

in EUR K	Effects on the defined-benefit obligation	in EUR K	Effects on the defined-benefit obligation
<b>Discount rate</b>		<b>Life expectancy</b>	
Decline by 0.5 %	5,273	Decrease by 1 year	-1,644
Increase by 0.5 %	-4,598	Increase by 1 year	1,639
<b>Pensions</b>		<b>Retirement age</b>	
Decline by 1 %	-5,132	Decrease by 1 year	1,368
Increase by 1 %	6,132	Increase by 1 year	-1,363

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. These provisions were then compared to the provision recorded on the balance sheet as of 31 December 2013.

The following contributions are expected to be paid over the next few years as part of defined-benefit liabilities:

in EUR K	Disbursements
within the next 12 months	1,609
between 2 and 5 years	7,708
between 5 and 10 years	12,263
<b>Expected disbursements within the next 10 years</b>	<b>21,580</b>

The running period of the performance-oriented liability averages at 18.8 years at the end of the reporting period (previous year: 17.9 years).

## (25) Non-current and current provisions

in EUR K	Staff division	Production division	Sales division	Other provisions	Total
<b>Status as at 31 December 2011</b>	<b>8,441</b>	<b>1,172</b>	<b>36,134</b>	<b>2,257</b>	<b>48,004</b>
Current differences	15	0	-221	4	-202
Consumption	-2,817	-135	-5,373	-620	-8,945
Additions/formation	2,541	27	13,912	606	17,086
Actuarial gains	8	0	0	0	8
Change to companies consolidated	-52	0	27	-49	-74
Interest cost	115	21	182	0	318
Reversal	-759	-12	-8,247	-501	-9,519
<b>Status as at 31 December 2012</b>	<b>7,492</b>	<b>1,073</b>	<b>36,414</b>	<b>1,697</b>	<b>46,676</b>
Current differences	-12	0	-589	-1	-602
Consumption	-2,580	-122	-1,499	-381	-4,582
Additions/formation	1,975	55	6,824	582	9,436
Actuarial gains	20	0	0	0	20
Change to companies consolidated	43	94	42	1	180
Interest cost	134	27	114	5	280
Reversal	-293	-8	-11,983	-180	-12,464
<b>Status as at 31 December 2013</b>	<b>6,779</b>	<b>1,119</b>	<b>29,323</b>	<b>1,723</b>	<b>38,944</b>
<b>of which current</b>	<b>3,341</b>	<b>650</b>	<b>26,405</b>	<b>1,277</b>	<b>31,673</b>
<b>of which non-current</b>	<b>3,438</b>	<b>469</b>	<b>2,918</b>	<b>446</b>	<b>7,271</b>

Provisions in the staff area have been set aside for pre-retirement reduced working hours, 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. Provisions for warranty obligations are carried as liabilities for individual cases in the Sto Group. The assumptions on

which the calculation of warranty provisions are based are experience statistics for complaints and the latest information available. Furthermore, uncertainties arise with regard to pending compensatory damages court cases in terms of compensation payments and the duration of the processes. We expect the provision to be utilised only after damage recovery.

In addition to provisions for purchase commitments, the remaining other provisions comprise additional factual circumstances subordinate in nature in specific cases in terms of their recognition.

## (26) Non-current and current borrowings

in EUR K	Carrying amount as at 31 Dec 2013			Carrying amount as at 31 Dec 2012		
	short-term	long-term		short-term	long-term	
Payables to banks	4,881	706	5,587	13,604	638	14,242
Liabilities under finance leases	853	1,687	2,540	1,070	1,285	2,355
Other borrowings	1,003	0	1,003	0	0	0
<b>Borrowings in total</b>	<b>6,737</b>	<b>2,393</b>	<b>9,130</b>	<b>14,674</b>	<b>1,923</b>	<b>16,597</b>

The covenants applicable to finance leases are explained in Note (14).

## (27) Trade payables

in EUR K	31 Dec 2013	31 Dec 2012
<b>from</b>		
Third parties	41,701	46,273
Investments in associates	380	108
<b>Trade payables in total</b>	<b>42,081</b>	<b>46,381</b>

The terms of the trade payables is completely short term.

The fair values of trade payables do not differ materially from the carrying amounts reported.

**(28) Non-current and current financial liabilities**

in EUR K			Carrying amount as at 31 Dec 2013			Carrying amount as at 31 Dec 2012
	short-term	long-term		short-term	long-term	
Negative fair values of derivative financial instruments	57	0	57	267	0	267
<b>Other liabilities</b>						
liabilities towards customers	14,000	0	14,000	12,595	0	12,595
liabilities towards employees	1,145	0	1,145	751	0	751
miscellaneous	3,726	134	3,860	4,858	97	4,955
<b>Financial liabilities in total</b>	<b>18,928</b>	<b>134</b>	<b>19,062</b>	<b>18,471</b>	<b>97</b>	<b>18,568</b>

Derivative financial instruments have the following negative fair values:

in EUR K	31 Dec 2013	31 Dec 2012
<b>Hedges against</b>		
currency risks	57	14
interest risks	0	253
<b>Fair values of derivative financial instruments in total</b>	<b>57</b>	<b>267</b>

Derivative financial instruments as a whole are described in detail in Note (33).

**(29) Non-current and current other liabilities**

in EUR K			Carrying amount as at 31 Dec 2013			Carrying amount as at 31 Dec 2012
	short-term	long-term		short-term	long-term	
Advance payment received on orders	732	0	732	963	0	963
<b>Other liabilities</b>						
from other taxes	7,523	0	7,523	6,971	0	6,971
social security liabilities	3,195	0	3,195	2,807	0	2,807
liabilities towards employees	26,922	0	26,922	27,464	3	27,467
miscellaneous	7,722	2	7,724	6,875	0	6,875
<b>Other liabilities in total</b>	<b>46,094</b>	<b>2</b>	<b>46,096</b>	<b>45,080</b>	<b>3</b>	<b>45,083</b>



**(30) Further notes on financial instruments in accordance with IFRS 7****Reconciliation of balance sheet items with financial instrument categories as at 31 December 2012**

in EUR K	Measurement category in accordance with IAS 39	Carrying amount as at 31 Dec 2012	Financial instruments				No financial instrument	
			Amortised costs of acquisition		Fair value	Value recognition balance sheet acc. to IAS 17		Not within the scope of IFRS 7/ Hedge accounting
			Carrying amount	Fair value				
<b>Assets</b>								
Investments in associates	n.a.	0	0	0	0	0	0	0
Trade payables	LaR	115,884	115,884	115,884	0	0	0	0
Other receivables and financial assets								
- Available-for-sale financial assets	AfS	193	193	193	0	0	0	0
- Held-to-maturity investments	HtM	15,053	15,053	15,066	0	0	0	0
- Financial assets held for trading	FAHfT	0	0	0	0	0	0	0
- Derivative assets								
with hedge relationship	n.a.	0	0	0	0	0	0	0
without hedge relationship	FAHfT	83	0	0	83	0	0	0
- Other assets	LaR/n.a.	118,479	109,581	109,581	0	0	0	8,898
Other receivables and financial assets in total		133,808	124,827	124,840	83	0	0	8,898
Cash and cash equivalents	LaR	94,777	94,777	94,772	0	0	0	0
<b>Liabilities</b>								
Borrowings	FLAC	14,242	14,242	14,242	0	0	0	0
Liabilities under finance leases	n.a.	2,355	0	0	0	2,355	0	0
Borrowings in total		16,597	14,242	14,242	0	2,355	0	0
Trade payables	FLAC	46,381	46,381	46,381	0	0	0	0
Other liabilities and financial liabilities								
- Derivative liabilities								
with hedge relationship	n.a.	0	0	0	0	0	0	0
without hedge relationship	FLHfT	267	0	0	267	0	0	0
- Other liabilities	FLAC/n.a.	63,385	18,301	18,301	0	0	0	45,084
Other liabilities and financial liabilities in total		63,652	18,301	18,301	267	0	0	45,084

## Reconciliation of balance sheet items with financial instrument categories as at 31 December 2013

in EUR K	Measurement category in accordance with IAS 39	Carrying amount  as at 31 Dec 2013	Financial instruments					No financial instrument
			Amortised costs of acquisition		Fair value	Value recognition balance sheet acc. to IAS 17	Not within the scope of IFRS 7/ Hedge accounting	
			Carrying amount	Fair value				
<b>Assets</b>								
Investments in associates	n.a.	76	0	0	0	0	76	0
Trade payables	LaR	116,879	116,879	116,879	0	0	0	0
Other receivables and financial assets								
- Available-for-sale financial assets	AFS	33	33	33	0	0	0	0
- Held-to-maturity investments	HtM	4,314	4,314	4,352	0	0	0	0
- Financial assets held for trading	FAHFT	0	0	0	0	0	0	0
- Derivative assets								
with hedge relationship	n.a.	0	0	0	0	0	0	0
without hedge relationship	FAHFT	42	0	0	42	0	0	0
- Other assets	LaR/n.a.	135,257	126,356	126,452	0	0	0	8,901
Other receivables and financial assets in total		139,646	130,703	130,837	42	0	0	8,901
Cash and cash equivalents	LaR	103,944	103,944	103,944	0	0	0	0
<b>Liabilities</b>								
Borrowings	FLAC	6,590	6,590	6,590	0	0	0	0
Liabilities under finance leases	n.a.	2,540	0	0	0	2,540	0	0
Borrowings in total		9,130	6,590	6,590	0	2,540	0	0
Trade payables	FLAC	42,081	42,081	42,081	0	0	0	0
Other liabilities and financial liabilities								
- Derivative liabilities								
with hedge relationship	n.a.	0	0	0	0	0	0	0
without hedge relationship	FLHFT	57	0	0	57	0	0	0
- Other liabilities	FLAC/n.a.	65,101	19,005	19,005	0	0	0	46,096
Other liabilities and financial liabilities in total		65,158	19,005	19,005	57	0	0	46,096

The carrying amounts of the financial instruments are aggregated as follows in accordance with the categories stipulated in IAS 39:

in EUR K	31 Dec 2013	31 Dec 2012
Available-for-Sale (AFS)	33	193
Financial assets held for trading (FAhFT)	42	83
Held-to-Maturity Investments (HtM)	4,314	15,053
Loans and receivables (LaR)	347,179	320,083
Financial liabilities measured at amortised cost (FLAC)	67,676	78,882
Financial Liabilities Held for Trading (FLHFT)	57	267

#### Balance sheet items measured at fair value

in EUR K	31 Dec 2012	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	83	0	83	0
Available-for-sale financial assets	0	0	0	0
<b>Financial assets measured at fair value</b>	<b>83</b>	<b>0</b>	<b>83</b>	<b>0</b>
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	267	0	267	0
Financial liabilities recorded in other earnings with no impact on profit or loss				
- Derivatives with a hedge relationship	0	0	0	0
<b>Financial liabilities recognised at fair value</b>	<b>267</b>	<b>0</b>	<b>267</b>	<b>0</b>

in EUR K	31 Dec 2013	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	42	0	42	0
Available-for-sale financial assets	0	0	0	0
<b>Financial assets measured at fair value</b>	<b>42</b>	<b>0</b>	<b>42</b>	<b>0</b>
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	57	0	57	0
Financial liabilities recorded in other earnings with no impact on profit or loss				
- Derivatives with a hedge relationship	0	0	0	0
<b>Financial liabilities recognised at fair value</b>	<b>57</b>	<b>0</b>	<b>57</b>	<b>0</b>

The following financial assets and liabilities accounted for at fair value are structured according to the following valuation categories:

#### Level 1

Financial instruments traded in active markets, the listed prices of which were adopted unchanged for measurement purposes.

#### Level 2

The measurement is made on the basis of valuation methods in which the influential factors are derived either directly or indirectly from observable market data. The derivative are currency hedges only. They are measured based on the observable exchange rates, the interest structure curves of the respective currencies as well as the currency related basic spreads between the respective currencies.

#### Level 3

The measurement is effected using valuation methods where the influential factors are not based exclusively on observable market data.

During the reporting period there were no transfers between measurements at fair value at Level 1 and Level 2 and no transfers to or from measurements at fair value at Level 3.

Trend relating to adjustments of financial instruments valued at amortised costs of acquisition (refers solely to trade receivables, other receivables and financial assets):

in EUR K	2013	2012
<b>Status: 01 January</b>	<b>22,084</b>	20,832
Exchange rate differences	-458	423
Additions	9,091	6,907
Consumption	6,557	4,022
Reversals	2,964	2,009
Change to companies consolidated	91	-47
<b>Status: 31 December</b>	<b>21,287</b>	22,084

The following table shows the carrying amounts and fair values of the financial instruments as at 31 December 2013, excluding financial instruments which typically barely differ in their fair values.

in EUR K	Carrying amount as at 31 Dec 2013	Fair value 31 Dec 2013
<b>Financial assets</b>		
non-current		
Investments	33	33
Loans	551	551
Forward exchange contracts	28	28
Financial investments	1,059	1,073
Other financial assets	31	31
<b>Non-current financial assets in total</b>	<b>1,702</b>	<b>1,716</b>
short-term		
Financial investments	105,763	105,882
Loans	303	303
Forward exchange contracts	14	14
Other financial assets	22,963	22,963
<b>Current financial assets in total</b>	<b>129,043</b>	<b>129,162</b>
<b>Financial assets in total</b>	<b>130,745</b>	<b>130,878</b>
<b>Financial liabilities</b>		
non-current		
borrowings	2,393	2,393
Other financial liabilities	134	134
<b>Non-current financial liabilities in total</b>	<b>2,527</b>	<b>2,527</b>
short-term		
borrowings	6,737	6,737
Forward exchange contracts	57	57
Other financial liabilities	18,871	18,871
<b>Current financial liabilities in total</b>	<b>25,665</b>	<b>25,665</b>
<b>Financial liabilities in total</b>	<b>28,192</b>	<b>28,192</b>

The carrying amounts of cash and cash equivalents, receivables and liabilities from deliveries and services correspond mainly to the fair values due to the short terms. The financial

investments are mainly borrower's not loans, money market funds and term deposits with short terms, so that their fair values only differ slightly from the nominal values.

## Other disclosures

### (31) Cash flow statement

The cash flow statement 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 cash flow from operating activities, cash flow from investing activities and cash flow from financing activities (IAS 7 Statement of cash flows).

The cash flow statement solely comprises the cash and cash equivalents reported in the balance sheet that include financial investments with an original term of up to 3 months.

Based on earnings before taxes, the cash flow is indirectly derived from operating activities. Earnings before taxes are adjusted to take account of non-cash expenses (essentially depreciation) and non-cash income. Cash flow from operating activities reflects changes in working capital.

Cash inflows and outflows from investing and financing activities are calculated using the direct method. Investing activities comprise disbursements for additions to intangible assets and tangible fixed assets, payments arising from the acquisition of consolidated companies and other business fields, disbursements for the acquisition of consolidated companies and other business fields, interest received, payments arising from the disposal of intangible assets and property, plant and equipment, as well as disbursements for financial investments.

Financing activities comprise cash outflows from payments to shareholders, payments for acquisition of minority interests, payments and the repayment of loans, as well as changes to other borrowings. Changes in items of the balance sheet analysed for the cash flow statement cannot be directly derived from the balance sheet on account of non-cash currency translation effects and other non-cash transactions.

### (32) Segment reporting

For the purpose of corporate management by the responsible corporate entity – until 26 March 2014 the Executive Board of Sto AG and after the conversion the personally liable partner STO Management SE – the Sto Group is divided up into geographical business units. The geographical business fields were consolidated in the segments of western Europe and Other with the segment Other being broken down into the regions of northern/eastern Europe and the Americas/Asia. The business segment of western Europe comprises the geographical business fields of the euro zone, Switzerland, as well as the United Kingdom.

Internal reporting is essentially carried out in accordance with IFRS.

The activities of all segments included the production and distribution of facade systems, facade coatings, interior products and other product groups. The netting prices between segments conform to arms-length conditions. Transfers between business segments are eliminated on consolidation.

The segment results in the Sto Group are reported in the earnings categories of EBITDA, EBIT and EBT. The share of earnings from associates, amounting to EUR -2 K (previous year: EUR 1,240 K) has not been assigned to any segment and is reported in the reconciliation column.

Depreciation/amortisation and investments relate to property, plant and equipment and intangible assets. Last year, in the segment 'Other', in the area of Northern/Eastern Europe, a non-scheduled depreciation of a building was performed in the amount of EUR 373 K. In the year under review, the impairment test of STOMIX spol s.r.o., Skorosice/Czech Republic resulted in a needed depreciation on intangi-

ble assets, including a goodwill of EUR 62 K, of EUR 945 K in the segment 'Other', in the Northern/Eastern Europe area. In the Western Europe segment the goodwill of Sto Italia Srl to the value of EUR 1,398 K was written off in the year under review.

Segment assets essentially comprise property, plant and equipment, intangible assets, inventories, trade receivables from third parties as well as other receivable and financial assets from third parties.

Income tax receivables and deferred tax receivables were listed in the "reconciliation/consoli-

ation booking entries" column since they are not assigned to the individual segments. This column also includes the items which cannot be assigned to individual segments as well as the eliminations of results between the segments. No material adjustments were made to earnings.

Owing to the broad customer structure of the Sto Group, there is no customer with whom at least 10 % of sales revenues are generated.

The breakdown of sales revenues is made according to the customer's head office.

in EUR K	2012			Total
	Germany	France	Others	
External revenues	524,695	125,038	491,952	1,141,685
Intangible assets, property, plant and equipment	169,248	13,199	74,775	257,222

in EUR K	2013			Total
	Germany	France	Others	
External revenues	534,735	130,040	501,236	1,166,011
Intangible assets, property, plant and equipment	171,296	18,367	70,875	260,538

### (33) Financial risk management and financial instruments

#### Hedging policy

The Sto Group's international activities expose it to interest and currency risks in particular. The purpose of risk management is to minimise or to exclude these risks. To this end, the usual instruments such as currency forwards, forward exchange, currency options, interest rate swaps and interest caps are used.

#### Hedging guidelines

Guidelines have been adopted to govern the scope for hedging and internal monitoring. As a matter of principle, the type and scope of hedging operations are determined by the hedged contract. Hedges may only be used to protect existing or planned transactions. For this purpose, according to internal guidelines only

financial instruments with released counterparties may be transacted.

#### Liquidity risk

A liquidity forecast covering a defined period as well as unused credit facilities available to the Sto Group in addition to cash and cash equivalents ensure adequate liquidity at all times. The main credit facilities were established in connection with the syndicate finance agreement entered into in 2012 and expiring in 2017. The remaining credit facilities were arranged to expire in 2020 at the latest.

The following overview sets out the contractually agreed cash outflows from financial instruments, including interest, not including cash outflows from finance leasing contracts shown in Note (14).

in EUR K	Cash outflows			31 Dec 2012
	up to 1 year	1 – 5 years	5 – 10 years	
Borrowings	13,652	537	186	14,375
Trade payables	46,381	0	0	46,381
Other borrowings	18,205	97	0	18,302
Derivatives	8,558	0	0	8,558
Guarantees	5,231	0	0	5,231
<b>Cash outflows in total</b>	<b>92,027</b>	<b>634</b>	<b>186</b>	<b>92,847</b>

in EUR K	Cash outflows			31 Dec 2013
	up to 1 year	1 – 5 years	5 – 10 years	
Borrowings	5,948	421	655	7,024
Trade payables	42,081	0	0	42,081
Other borrowings	22,071	134	0	22,205
Derivatives	15,742	338	0	16,080
Guarantees	169	0	0	169
<b>Cash outflows in total</b>	<b>86,011</b>	<b>893</b>	<b>655</b>	<b>87,559</b>

Under guarantees disclosed within the scope of contingent liabilities, the occurrence of an obligation is not anticipated at present.

The amounts of derivative financial instruments shown above correspond to the un-discounted cash flows. These payments can be processed on a gross or net basis. If levelling is done on a gross basis, only cash outflows are shown in the above tables.

In the following table, the cash outflows are compared to the corresponding cash inflows.

in EUR K	Cash inflows/outflows as at 31 December 2012			Total
	up to 1 year	1 – 5 years	5 – 10 years	
Inflow	8,337	0	0	8,337
Outflow	–8,558	0	0	–8,558
<b>Balance</b>	<b>–221</b>	<b>0</b>	<b>0</b>	<b>–221</b>

in EUR K	Cash inflows/outflows as at 31 December 2013			Total
	up to 1 year	1 – 5 years	5 – 10 years	
Inflow	15,677	296	0	15,973
Outflow	–15,742	–338	0	–16,080
<b>Balance</b>	<b>–65</b>	<b>–42</b>	<b>0</b>	<b>–107</b>

### Credit and default risk arising from financial assets

The credit and default risk arising from financial assets entails the risk of a counterparty defaulting and is limited to the maximum net carrying amount of the receivable due from the defaulting counterparty.

In connection with the investment of cash and holdings of derivative financial assets, the Group is exposed to the risk of losses in the event of financial institutions failing to honour

their obligations. The Sto Group seeks to mitigate such risks by means of diversification and the careful selection of counterparties. At the moment, no cash investments or derivative financial assets are overdue or impaired on account of defaults.

Allowance is made for risks from originated financial instruments by making adjustments to receivables. On account of its broad customer structure, there is no conspicuous clustering of default risks within the Sto Group.

Presentation of net carrying amounts of financial instruments measured at amortised costs of acquisition:

in EUR K	not due, not value- adjusted	overdue, not value- adjusted	overdue, value-adjusted	Carrying amount as at 31 Dec 2012
Other financial assets	124,851	59	0	124,910
Trade receivables	73,041	18,631	24,213	115,885
Cash and cash equivalents	94,777	0	0	94,777
<b>Financial assets measured at amortised costs of acquisition in total</b>	<b>292,669</b>	<b>18,690</b>	<b>24,213</b>	<b>335,572</b>

in EUR K	not due, not value- adjusted	overdue, not value- adjusted	overdue, value-adjusted	Carrying amount as at 31 Dec 2013
Other financial assets	130,745	0	0	130,745
Trade receivables	72,402	15,424	29,053	116,879
Cash and cash equivalents	103,944	0	0	103,944
<b>Financial assets measured at amortised costs of acquisition in total</b>	<b>307,091</b>	<b>15,424</b>	<b>29,053</b>	<b>351,568</b>

The Sto Group assesses the credit rating of individual customers to reduce the risks arising from trade receivables. Information is obtained and regularly updated to assess the credit quality of financial assets which are neither overdue nor adjusted. On the basis of this and other information, the financial assets are classified and credit limits defined.

Collateral amounting to EUR 0 K was held in the financial year for overdue and impaired trade receivables (previous year: EUR 27 K).

The financial assets measured at fair value are neither overdue nor impaired.

## Maturity analysis of overdue and not value-adjusted financial instruments:

in EUR K	overdue				31 Dec 2012
	up to 30 days	more than 30 days up to 60 days	more than 60 days up to 90 days	more than 90 days	
Other financial assets	0	0	0	59	59
Trade receivables	10,553	4,048	1,206	2,824	18,631
<b>Overdue and not value-adjusted financial instruments in total</b>	<b>10,553</b>	<b>4,048</b>	<b>1,206</b>	<b>2,883</b>	<b>18,690</b>

in EUR K	overdue				31 Dec 2013
	up to 30 days	more than 30 days up to 60 days	more than 60 days up to 90 days	more than 90 days	
Other financial assets	0	0	0	0	0
Trade receivables	10,003	2,087	1,036	2,298	15,424
<b>Overdue and not value-adjusted financial instruments in total</b>	<b>10,003</b>	<b>2,087</b>	<b>1,036</b>	<b>2,298</b>	<b>15,424</b>

**Currency risk**

Currency risks in connection with current receivables and liabilities were hedged by means of currency forwards. The currency hedge as at 31 December 2013 only applied to CZK/EUR, HUF/EUR, RUB/EUR, TRY/EUR as well as EUR/CHF and EUR/GBP. The changes in fair value were recognised in the income statement with an impact on profit and loss.

The main operative currency risks in the Sto Group are due to the fact that most products are manufactured in Germany and are then sold and delivered to foreign subsidiaries. Currency risks occurred due to business completed in Euros with subsidiaries outside the Euro zone, mainly in Poland, Russia, Switzerland, Sweden, the Czech Republic and Hungary.

All non-functional currencies in which the Sto Group holds financial instruments are used as relevant risk variables in the sensitivity analysis stipulated by IFRS 7.

The essential currency risk in the Sto Group results from the change of the currency pair EUR/CNY. If the CNY had been 10 % lower/higher against the EUR, pre-tax earnings would have been up by EUR 152 K (previous year: EUR 162 K), or down by EUR 125 K (previous year: EUR 133 K). In the previous year the main currency pair was USD/CAAD with an impact on earnings of EUR 211 K or EUR 173 K.

**Interest rate risk**

The interest rate risk for the Sto Group results from changes in market interest rates, par-

ticularly for current and non-current liabilities subject to floating interest rates. Due to the decrease in liabilities to banks thanks to repayments of loans the interest rate risk has significantly diminished so that all existing interest rate swaps were dissolved in 2013.

The Sto Group identifies interest rate risks as defined in IFRS 7 by means of a sensitivity analysis. This sets out the effects of risk-relevant market interest rates on the Group's net borrowing costs and equity capital.

Due to the low volume of borrowings no interest rate swaps were in place on the balance

sheet date of 31 December 2013. The volume of long-term, variable-rate borrowings is so low that an increase or decrease of the market interest level by 100 basis points on 31 December 2013 would have had no significant impact on earnings (previous year: EUR 65 K higher or EUR 66 K lower).

#### Valuation of derivative financial instruments

The fair values of the derivative financial instruments are determined on the basis of the tradability based on reference prices and measurement models and is presented as follows:

in EUR K	31 Dec 2013		31 Dec 2012	
	Nominal volume	Market value total	Nominal volume	Market value total
Forward exchange transaction(s)/ options	16,066	-15	7,463	50
Interest rate swaps/ caps	0	0	9,962	-234
<b>Derivative financial instruments in total</b>	<b>16,066</b>	<b>-15</b>	<b>17,425</b>	<b>-184</b>

The nominal volume of a derivative hedge transaction is the notional 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 the exchange or interest rate change to which they refer. The fair value is the amount which the Sto Group would have paid or received at the balance sheet date if the hedge had been settled.

The hedge relationship for hedging cash flows from interest payments the previous year was deemed highly effective. In 2012, the cash flow hedge was dissolved and the amounts

recognised in equity were realised. There were no cash flow hedges in 2013.

The increased nominal volume of currency forward transactions is mainly attributable to the fact that on 31 December 2013 there were more hedges to hedge the Swiss Franc in connection with business conducted in Euros as compared to the previous year.

The residual maturity of the currency derivatives mainly lies within a year. The hedge of a loan with Sto Yapi Sistemleri in Turkish lira has a term of 3 years.

**(34) Contingencies**

in EUR K	2013	2012
Guarantees	169	5,231
Other contingent liabilities	1	1
<b>Contingencies in total</b>	<b>170</b>	<b>5,232</b>

**(35) Litigation**

As at 31 December 2013, Sto AG was a party to a legal dispute which was in the appeal process at Oberlandesgericht Karlsruhe and which regarded the legal validity of the conversion of Sto AG into Sto SE & Co. KGaA which had been decided at the annual general meeting on 12 June 2013. In the meantime, this legal dispute has been settled and the conversion was carried out with the registration of Sto SE & Co. KGaA in the trade register of Amtsgericht Freiburg on 26 March 2014. Apart from that,

neither Sto AG and now Sto SE & Co. KGaA nor any of the members of its Group were involved in any court litigation or arbitration proceedings which are liable to exert a material influence on the Group's economic situation or have done so in the fiscal year of 2013. 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 other court litigation or arbitration proceedings.

**(36) Other financial obligations**

in EUR K	31 Dec 2013	Maturity between		
		within one year	1 – 5 years	after 5 years
Obligations under rental contracts and leases	67,915	18,883	38,480	10,552
Obligations under maintenance contracts	4,366	3,582	782	2
Acceptance obligations	6,008	5,911	97	0
Other obligations	556	243	313	0
<b>Other financial obligations in total</b>	<b>78,845</b>	<b>28,619</b>	<b>39,672</b>	<b>10,554</b>

in EUR K	31 Dec 2012	Maturity between		
		within one year	1 – 5 years	after 5 years
Obligations under rental contracts and leases	68,005	19,241	38,790	9,974
Obligations under maintenance contracts	4,509	3,090	1,419	0
Acceptance obligations	4,542	4,439	103	0
Other obligations	230	192	38	0
<b>Other financial obligations in total</b>	<b>77,286</b>	<b>26,962</b>	<b>40,350</b>	<b>9,974</b>

The obligations under rental contracts comprise primarily building rental contracts, while the obligations under leases relate to the vehicle fleet, equipment and IT hardware.

There are no purchasing intentions at the end of the leasing contracts. Insofar as final payments are to be expected resulting from damages, provisions have been made.

Of acceptance obligations, an amount of EUR 641 K (previous year: EUR 1,876 K) relates to items of tangible fixed assets.

### (37) Auditors' fees

The following fees paid to the auditors of the consolidated annual financial statement of the Sto Group, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, for services provided are recorded as expenses in 2013:

in EUR K	2013	2012
Audits of financial statements	305	335
Tax consulting services	0	0
Other certification or valuation activities	5	3
Other services	21	14
<b>Auditors' fees in total</b>	<b>331</b>	352

### (38) Events after the balance sheet date

At the beginning of January 2014, 100 % of the equity shares as well as the voting rights to Argamont Revestimentos e Argamassas Ltda, Itaquaquacetuba/Sao Paulo, Brazil (Argamont Ltda.) were acquired by Sto Corp., USA.

The acquired company produces and distributes render systems. The head offices of the company, which had been family-owned at the date of acquisition, are located in the metropolitan area of Sao Paulo, the largest city in Brazil and

the world's seventh largest urban agglomeration. At the point of acquisition Argamont Ltda. had been employing 58 people. The turnover in 2013 amounted to EUR 4.5 million, with a net profit for the year of EUR 1.4 million. With the acquisition of this company, the Sto Group has entered the world's sixth largest national economy.

For further details please see General Information, 4. Companies consolidated.

**(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.

All business relations with related parties were conducted on arms-length terms.

Members of the Executive Board and the Supervisory Board of Sto AG until 31 December 2013 are members of the management boards and supervisory boards of other companies with which Sto AG 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		Payables to	
		2013	2012	2013	2012	2013	2012	2013	2012
Inotec GmbH, Waldshut-Tiengen	45%	198	19	4,583	3,395	805	502	369	108
other related companies and persons		16	0	11	22	17	0	0	0

No goods or services were provided to or received from Stotmeister Beteiligungsgesellschaft mbH as a related party in the year under review or in the previous year. Similarly, there were no receivables or liabilities in the year under review and the previous year.

**(40) List of subsidiaries and investments as at 31 December 2013**

Germany	Capital share in %
Name, registered office	
StoVerotec GmbH, Lauingen	100
StoCretec GmbH, Kriftel	100
Gefro Verwaltungs-GmbH & Co. KG, Stühlingen	100
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim	100
Südwest Lacke + Farben Verwaltungs-GmbH, Böhl-Iggelheim	100
Malfa Farben GmbH, Freiburg	100
Hemm Stone GmbH, Kirchheim	100
Innolation GmbH, Lauingen	100
WT Gebäudemanagement GmbH, Stühlingen	100
Sto SMEE Beteiligungs GmbH, Stühlingen	100
Natursteinindustrie Johann Neumeyer & Brigl GmbH & Co. KG, Eichstätt/Germany	100
Neumeyer & Brigl GmbH & Co. KG, Eichstätt/Germany	100
JMA Jura Marmor Abbau GmbH & Co. KG, Eichstätt/Germany	50
JMA Jura Marmor Abbau GmbH, Eichstätt/Germany	50
Inotec GmbH, Waldshut-Tiengen/Germany	45

Non-Germany	Capital share in %
<b>Name, registered office</b>	
Sto Ges.m.b.H., Villach/Austria	100
Sto S.A.S., Bezons/France	100
Beissier S.A.S., La Chapelle La Reine/France	100
Innolation S.A.S., La Chapelle la Reine/France	100
Beissier S.A.U., Erreterria/Spain	100
Sto SDF Ibérica S.L.U., Mataró/Spain	100
Sto Isoned B.V., Tiel/Netherlands	100
Sto N.V., Asse/Belgium	100
Sto Italia Srl, Empoli/Italy	52
STOMIX Slovensko s.r.o., Zvolen/Slovakia	100
Sto Finexter OY, Vantaa/Finland	100
Sto Scandinavia AB, Linköping/Sweden	100
Sto Danmark A/S, Hvidovre/Denmark	100
Sto Norge AS, Oslo/Norway	100
Sto – ispo Sp. z o.o., Warsaw/Poland	100
Sto Epitöanyag Kft., Dunaharaszti/Hungary	100
Sto s.r.o., Dobřejuvice/Czech Republic	100
STOMIX spol s.r.o., Skorosice/Czech Republic	100
Sto AG, Niederglatt, Switzerland	100
Sto Ltd., Paisley/Great Britain	100
Sto Yapi Sistemleri Sanayi ve Ticaret A.S., Istanbul/Turkey	100
OOO Sto, Moscow/Russia	100
OOO STOMIX Orel, Orel/Russia	100
Sto Corp., Atlanta, USA	100
Industrial y Comercial Sto Chile Ltda., Santiago de Chile/Chile	100
Sto Corp. Chile Ltda., Santiago de Chile/Chile	100
Sto Colombia S.A.S., Bogota D.C./Colombia	100
Sto Mexico S de RL de CV, Monterrey/Mexico	100
Sto Corp. Latin America Inc., Panama/Panama	100
Shanghai Sto Ltd., Shanghai/China	100
Langfang Sto Building Material Co. Ltd., Hebei/China	100
Wuhan Sto Building Material Co. Ltd., Wuhan/China	100
Sto SEA Pte. Ltd., Singapore/Singapore	100
Sto SEA Sdn. Bhd., Masai/Malaysia	100

For changes in the current year, please refer to Note 4  
"Companies consolidated".

**(41) German Corporate Governance Code**

In December 2013, the Executive Board and Supervisory Board of Sto AG issued the declaration of conformance with the recommendations of the Government Commission on German Corporate Governance Code in accordance with Section 161 of the German Companies Act and have made it available to the shareholders on the web page of Sto AG.

**(42) Remuneration of the Board of Directors and the Supervisory Board**

The remuneration paid to the members of the Executive Board of Sto AG in the fiscal year of 2013 complies with the statutory provisions contained in the German Companies Act. In the fiscal year 2013, current remunerations of the Executive Board of Sto AG totalled EUR 4,229 K (previous year: EUR 4,145 K). Expenses for future benefits after terminating the employment relationship (current/past service cost) amounted to EUR 979 K (previous year: EUR 2,021 K). Executive Board remunerations thus totalled EUR 5,208 K (previous year: EUR 6,166 K). As at 31 December 2013, the post-employment benefit provisions for the current members of the Executive Board of Sto AG amounted to EUR 126 K due to offsetting against plan assets (previous year: EUR 112 K). Post-employment benefit provisions for former members of the Executive Board were valued at EUR 2,195 K as at 31 December 2013 (previous year: EUR 2,356 K). Remuneration paid to former members of the Executive Board and the Supervisory Board came to EUR 232 K (previous year: EUR 231 K). In future, the above statements apply to the remuneration of the Executive Board of the personally liable partner of Sto SE & Co. KGaA, namely STO Management SE, which, as stipulated in Section 6 Paragraph 3, receives compensation of expenditure from Sto SE & Co. KGaA to the full amount.

Remuneration paid to the Supervisory Board of Sto AG in the fiscal year of 2013 came to EUR 509 K (previous year: EUR 515 K).

The members of the Supervisory Board will only receive currently due payments for their activities on the committee. Excepted from this are compensation and other payments to operations 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.

The need for disclosure in accordance with Section 314 No. 6a sentence 5-9 of the German Commercial Code (HGB) has been dispensed with pursuant to Section 314 (2) sentence 2 HGB, read in conjunction with Section 286 (5) HGB.

**Members of the Executive Board of Sto AG  
in the fiscal year of 2013:**

**Jochen Stotmeister**

Chairman of the Executive Board  
Grafenhausen/Germany, Dipl.-Betriebswirt (FH)  
Chairman of the Executive Board of  
STO Management SE, Stühlingen/Germany  
(as of 25 April 2013)  
Member of the BOD of Sto Corp., Atlanta/USA  
Member of the Advisory Board of Karl Wörwag,  
Lack- und Farbenfabrik GmbH & Co. KG,  
Stuttgart/Germany

**Gerd Stotmeister**

Deputy Chairman, Chief Technology Officer  
Allensbach, Dipl.-Ing. (FH)  
Deputy Chairman of the Executive Board of  
STO Management SE, Stühlingen/Germany  
(as of 25 April 2013)  
Member of the BOD of Shanghai Sto Ltd.  
Shanghai/China  
Member of the BOD Sto SEA Pte Ltd.  
Singapore/Singapore  
Curator of the Fraunhofer Institute for  
Construction Physics (IBP), Stuttgart/Germany  
Member of the Advisory Board of Handte  
Umwelttechnik GmbH, Tuttlingen/Germany  
Member of the Advisory Board of Kliniken  
Schmieder, Allensbach/Germany

**Rolf Wöhrle**

Chief Financial Officer  
Bad Dürkheim/Germany, Dipl.-Betriebswirt (BA)  
Member of the Executive Board of  
STO Management SE, Stühlingen/Germany  
(as of 25 April 2013)  
Vice-President of the Administrative Board of  
Sto AG Switzerland, Niederglatt/Switzerland  
(until 6 June 2013)  
Member of the BOD Sto Scandinavia AB,  
Linköping/Sweden

Member of the BOD Sto Norge AS, Oslo/Norway  
Member of the BOD Sto Finexter OY,  
Vantaa/Finland  
Member of the BOD Sto Danmark A/S,  
Hvidovre/Denmark  
Member of the BOD Sto Ltd.,  
Paisley/Great Britain

**Rainer Hüttenberger**

Chief Marketing and Sales Officer  
Stein a. Rhein/Switzerland, Dipl.-Betriebswirt (FH)  
Member of the Executive Board of  
STO Management SE, Stühlingen/Germany  
(as of 25 April 2013)  
Chairman of the BOD of Shanghai Sto Ltd.,  
Shanghai/China  
Chairman of the BOD Sto Scandinavia AB,  
Linköping/Sweden  
Chairman of the BOD Sto Danmark A/S,  
Hvidovre/Denmark  
Chairman of the BOD Sto Yapi Sistemleri Sanayi  
ve Ticaret A.S., Istanbul/Turkey  
Member of the BOD Sto Norge AS, Oslo/Norway  
Member of the BOD Sto Finexter OY,  
Vantaa/Finland  
Member of the BOD Sto SEA Pte Ltd.  
Singapore/Singapore

With the conversion of Sto AG into Sto SE & Co. KGaA through its registration in the trade register on 26 March 2014, all business of Sto SE & Co. KGaA is conducted by the personally liable partner STO Management SE, Stühlingen. Its Executive Board members are identical to those of the former Executive Board of Sto AG, as indicated above.

**Members of the Supervisory Board of  
Sto AG in the fiscal year of 2013:  
Mandates 2013**

**Dr. Max-Burkhard Zwosta**

Chairman of the Supervisory Board  
Wittnau/Germany, Chartered Accountant and  
Tax Consultant

Member of the Supervisory Board  
STO Management SE, Stühlingen/Germany  
(from 02 May 2013)

Chairman of the Supervisory Board of  
STO Management SE, Stühlingen/Germany  
(from 25 July 2013)

Chairman of the Supervisory Board Brauerei  
Ganter GmbH & Co. KG, Freiburg/Germany

Chairman of the Supervisory Board Brauerei  
Ganter Grundstücks GmbH, Freiburg/Germany

Chairman of the Supervisory Board Freicon AG,  
Freiburg/Germany

Chairman of the Advisory Board of alfer  
aluminium Gesellschaft mbH,  
Wutöschingen/Germany

Chairman of the Advisory Board of Walter  
Maisch Familien Holding GmbH & Co. KG,  
Gaggenau/Germany

**Holger Michel**

Deputy Chairman of the Supervisory Board and  
employee representative, Dresden/Germany

Trade union secretary IG BCE

Member of the Supervisory Board Pirelli  
Deutschland GmbH, Breuberg/Germany  
(until 28 February 2013)

Member of the Supervisory Board of HT Troplast  
GmbH, Troisdorf/Germany (until 30 April 2013)

**Gertrud Eisele**

Stuttgart/Germany

Managing Director of the advertisement agency  
Wire Süden GmbH, Stuttgart/Germany

Member of the Supervisory Board  
STO Management SE, Stühlingen/Germany  
(from 02 May 2013)

**Helmut Hilzinger**

Willstätt/Germany

Managing Shareholder of Hilzinger GmbH,  
Willstätt/Germany

Member of the Supervisory Board  
STO Management SE, Stühlingen/Germany  
(from 02 May 2013)

**Prof. Dr.-Ing. Klaus Sedlbauer**

Rottach-Egern/Germany

Chair of Construction Physics Faculty at  
Stuttgart University

Head of the Fraunhofer Institute, Stuttgart,  
Holzkirchen, Kassel and Nuremberg/Germany

Member of the Supervisory Board  
STO Management SE, Stühlingen/Germany  
(from 02 May 2013)

Chairman of the Supervisory Board of Calcon  
AG, Munich/Germany

Member of the Supervisory Board RWE  
Effizienz GmbH, Dortmund/Germany

Senator of the Fraunhofer Society, Munich/  
Germany

**Charles Stettler**

Stäfa/Switzerland

Banker/freelance Administrative Board

Member of the Supervisory Board  
STO Management SE, Stühlingen/Germany  
(from 02 May 2013)

Deputy Chairman of the Supervisory Board of  
STO Management SE, Stühlingen/Germany  
(from 25 July 2013)

Member of the Administrative Board of  
BZ Bank AG, Wilen/Switzerland

Member of the Administrative Board of  
Lienhardt & Partner Privatbank AG,  
Zurich/Switzerland

President of the Administrative Board Allco AG,  
Lachen-Zurich/Switzerland

Member of the Administrative Board of Intershop Holding AG, Zurich/Switzerland  
 Member of the Administrative Board AIL Swiss-Austria Leasing AG, Zurich/Switzerland  
 Member of the Administrative Board of Gadola Holding AG, Grüningen-Zurich/Switzerland  
 President of the Administrative Board of Sto AG, Niederglatt-Zurich/Switzerland  
 Member of the Administrative Board of Wyler AG, Winterthur/Switzerland  
 Member of the Administrative Board of InvestInvent AG, Zurich/Switzerland

**Peter Zürn**

Westernhausen/Germany  
 Member of the Management of the Würth Group, Künzelsau/Germany  
 Member of the Supervisory Board STO Management SE, Stühlingen/Germany (from 02 May 2013)  
 Member of the Board of Directors, AP Winner Chemical Technology Co., Ltd., Changzhou/China  
 Member of the Administrative Board of Autocom Diagnostic Partner AB, Trollhättan/Sweden  
 Member of the Administrative Board Bettina Wuerth Auto India Private Limited, Mumbai/India  
 Member of the Administrative Board InovaChem Engineering AG, Wetzikon/Switzerland  
 Member of the Supervisory Board Marion Wuerth India Pvt.Ltd., Delhi/India  
 Member of the Supervisory Board Reinhold Wuerth India Pvt. Ltd., Chennai/India  
 Member of the Supervisory Board Wuerth India Pvt. Ltd., Mumbai/India  
 Member of the Board of Directors Tunap International Trading Co., Ltd., Shanghai/China  
 Member of the Administrative Board Würth á Islandi ehf., Garðabær/Iceland  
 Member of the Administrative Board of Würth

AG, Arlesheim/Switzerland  
 Member of the Advisory Board Würth Australia Pty. Ltd., Dandenong South/Australia  
 Member of the Supervisory Board Würth Belux N.V., Turnhout/Belgium  
 Member of the Board of Directors Würth Hardware & Tools Ltd., Chongqing/China  
 Member of the Administrative Board of Würth Hellas S.A., Athens/Greece  
 Member of the Administrative Board of Würth International AG, Chur/Switzerland  
 Member of the Administrative Board Würth Korea Co., Ltd., Chungung Dong/South Korea  
 Member of the Supervisory Board Würth Norge AS, Hagan/Norway  
 Member of the Administrative Board Würth Phoenix S.r.l., Bolzano/Italy  
 Member of the Advisory Board Würth Técnica de Montagem Lda., Sintra/Portugal  
 Member of the Administrative Board of Würth Svenska AB, Örebro/Sweden

**Uwe Bruchmüller**

Employee representative, Thalheim/Germany  
 Trade union secretary IG BCE Baden-Württemberg (until 31 December 2013)  
 Managing Director TVF Waste Solution GmbH, Leipzig/Germany (from 01 January 2014)  
 Mandates from the fiscal year of 2013  
 Deputy Chairman of the Advisory Board of TDE Mitteldeutsche Bergbau Service GmbH, Espenhain/Germany

**Wolfgang Dell**

Employee representative, Hattersheim/Germany  
 Responsible for Maintenance Plant Technology, Sto SE & Co. KGaA

**Lothar Hinz**

Employee representative, Reutlingen/Germany  
 Chairman of the Group Employee Represen-

tative Council and Chairman of the Employee Representative Council for the Baden-Württemberg sales region of Sto SE & Co. KGaA

**Barbara Meister**

Employee representative, Blumberg/Germany  
Deputy Chairperson of the Group Employee Representative Council and Chairperson of the Weizen Employee Representative Council,  
Sto SE & Co. KGaA

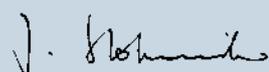
**Jan Nissen**

Employee representative, Trossingen/Germany  
Head of Materials Management within the Sto Group  
Member of the Advisory Board of Inotec GmbH, Waldshut-Tiengen/Germany

The conversion of Sto AG into Sto SE & Co. KGaA was entered in the trade register on 26 March 2014. The Supervisory Board of Sto AG was hence transferred to Sto SE & Co. KGaA.

Stühlingen, 14 April 2014

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



Jochen Stotmeister  
(Chairman)



Gerd Stotmeister  
(Deputy Chairman)



Rolf Wöhrle



Rainer Hüttenberger

## Audit certificate

Based on the final results of our audit of the consolidated financial statements and the Group management report we have issued the following auditors' report.

"We have audited the consolidated annual financial statement prepared by Sto SE & Co. KGaA (until 26 March 2014 Sto Aktiengesellschaft), Stühlingen, comprising the income statement, the statement of recognised income and expenses, the balance sheet, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements, together with the Group management report for the fiscal year from 1 January until 31 December 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as they are to be applied in the EU and additionally Section 315a (1) of the German Commercial Code are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with (German) principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of

the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statement and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the general partner, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as they are to be applied in the EU and additionally Section 315a (1) of the German Commercial Code (HGB). The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Villingen-Schwenningen, 17 April 2014

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Nietzer  
Chartered  
accountant

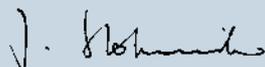
Greiner  
Chartered  
accountant

## 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, 14 April 2014

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



Jochen Stotmeister  
(Chairman)



Gerd Stotmeister  
(Deputy Chairman)



Rolf Wöhrle



Rainer Hüttenberger

# Financial calendar 2014

Electronic publication of the annual financial statements for 2013.....	30 April 2014
Interim report on the first half of 2014.....	15 May 2014
Annual General Meeting 2014.....	17 June 2014
Report on the first half of 2014 .....	28 August 2014
Interim report on the second half of 2014.....	14 November 2014
Electronic publication of the annual financial statements for 2014.....	30 April 2015

The annual financial statements of Sto SE & Co. KGaA (HGB) are available in electronic form at [www.unternehmensregister.de](http://www.unternehmensregister.de). In addition, they are published on the website [www.sto.de](http://www.sto.de) or may be requested in writing by post:

Sto SE & Co. KGaA  
F-S department  
Ehrenbachstraße 1  
79780 Stühlingen/Germany

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 materially from these statements. Sto is under no obligation to update forward-looking statements to incorporate any events which come to light after the publication of this report.

## Publisher's details

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## Headquarters

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Finland  
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## SÜDWEST Lacke + Farben GmbH & Co. KG

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info@sto.at  
www.sto.at

Poland  
**Sto – ispo Sp. z o.o.**  
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Telephone +48 22 5116102  
info.pl@sto.com  
www.sto.pl

## Subsidiaries – national

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info.stocretec.de@sto.com  
www.stocretec.de

**HemmStone GmbH**  
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www.hemmstone.de

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Ul. Bolshaya Yakimanka 31  
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www.sto.ru

Russia  
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RU-302525 Orel  
Telephone +7 4862 363 737  
orelinfo@stomix.ru  
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Switzerland  
**Sto AG**  
Südstrasse 14  
CH-8172 Niederglatt/ZH  
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Singapore  
**Sto SEA Pte. Ltd.**  
159 Sin Ming Road, #06-02  
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SG-Singapore 575625  
Telephone +65 64 533080  
ll.lee@sto-asia.com  
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Sweden  
**Sto Scandinavia AB**  
Gesällgatan 6  
S-582 77 Linköping  
Telephone +46 13 377100  
kundkontakt@sto.com  
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Slovak Republic  
**STOMIX Slovensko s.r.o.**  
Môtovská cesta 276  
SK-960 01 Zvolen  
Telephone +421 455 410 741  
info@stomix.sk  
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Spain  
**Beissier S.A.U.**  
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infoservice.stoverotec@sto.com  
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## Holding companies – national

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infoservice@inotec-gmbh.com  
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Spain  
**Sto SDF Ibérica S.L.U.**  
Pol. Ind. Les Hortes del Cami Ral  
Via Sergia, 32 - nave 1  
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Czech Republic  
**Sto s.r.o.**  
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www.sto.cz

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**STOMIX spol. s r.o.**  
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CZ-790 66 Skorošice  
Telephone +420 584 484 111  
info@stomix.cz  
www.stomix.cz

Turkey  
**Sto Yapı Sistemleri San. ve Tic. A.Ş.**  
Atatürk Cad. Yakut Sok. No:8  
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Telephone +90 216 330 51 00  
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U.K. and Ireland  
**Sto Ltd.**  
2 Gordon Avenue  
Hillington Park  
GB-Glasgow G52 4TG  
Telephone +44 141 892 8000  
info.uk@sto.com  
www.sto.co.uk

Hungary  
**Sto Építőanyag Kft.**  
Jedlik Ányos u. 17  
H-2330 Dunaharaszti  
Telephone +36 24 510210  
info.hu@sto.com  
www.sto.hu

USA  
**Sto Corp.**  
3800 Camp Creek Parkway  
Building 1400, Suite 120  
Atlanta, Georgia 30331  
Telephone +1 800 221-2397  
marketingsupport@stocorp.com  
www.stocorp.com

## Distribution partners – international

Addresses and information  
available from:  
Telephone +49 7744 57-1131

**Headquarters**

**Sto SE & Co. KGaA**

Ehrenbachstraße 1  
D-79780 Stühlingen

**Head office**

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Fax +49 7744 57-2178

**Info service**

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